UNIVERSAL CREDIT: WHAT NEEDS TO CHANGE TO REDUCE CHILD POVERTY AND MAKE IT FIT FOR FAMILIES?

June 2019

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Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high-profile legal work to establish and protect families' rights.

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1. Introduction

This report summarises the changes which CPAG believes should be made to universal credit in order to (a) reduce child poverty, (b) improve claimants' experience by adjusting universal credit design so that it works with the grain of people's lives, not against it, and (c) ensure a safe and fair process for migration of claimants on to universal credit. The list is not exhaustive, but covers what we think are the most important changes needed. These are illustrated with cases from our Early Warning System[1] which collects frontline evidence on the impact of changes to benefits across the UK and which has received over 1500 cases in the last two years (the great majority of which relate to universal credit).

More than 1.6 million families are now receiving universal credit and this is expected to double by the end of 2018. Universal credit is available in all parts of the country and (with a few exceptions) new claims are no longer possible to the benefits it replaces. From July 2019 the government will pilot 'managed migration' – the movement of existing benefit claimants across to universal credit; this will start in full in 2020 after a pilot in 2019. Eventually seven million families – including half the country's children – will receive universal credit.

Since its inception, heavy cuts have undermined universal credit's initial promise to reduce poverty.[2] These cuts include a four-year freeze of most elements of universal credit including housing allowances, the removal of the first child premium, cuts to work allowances, the introduction of a two-child limit, and the lowering of the benefit cap. Over the last two years small amounts have been put back into universal credit by reducing the taper rate slightly and raising work allowances for some claimants. However this re-investment does not come close to compensating for the cuts. Furthermore the majority of claimants will be entitled to less money when they move from other benefits to universal credit.[3]

This report therefore proposes a series of re-investments in universal credit, and details their impact on child poverty and the expected cost to the exchequer. The greatest 'bang for the buck' in terms of numbers of children protected from poverty would come from abolishing the two-child limit, a policy which seems designed to increase and deepen child poverty. Our analysis also exposes the huge losses to families' purses resulting from the benefit freeze, and the particular cruelty of the benefit cap in cutting the incomes of families who are mainly already living below the poverty line.

The report then turns to the design of universal credit. Its remaining selling points, now that the promise of poverty reduction has been broken, are that it smooths the transition in and out of work and removes the highest marginal withdrawal rates faced by some claimants in the legacy system (though for others, the rewards from taking on extra work reduce under universal credit). We know that some people find the online system convenient and are happy with universal credit, and we have heard from people who have received excellent support from their work coaches. However we are very concerned about the growing evidence of structural design flaws which cause real hardship for many claimants, with those in the most vulnerable circumstances most at risk.

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[1] See http://www.cpag.org.uk/early-warning-system to submit cases, or a recent summary of top issues received at http://www.cpag.org.uk/content/early-warning-system-top-issues-update-april-2019

[2] Tucker, J. 2017. *The Austerity Generation: the impact of a decade of cuts on family incomes and child poverty* http://cpag.org.uk/content/austerity-generation-impact-decade-cuts-family-incomes-and-child-poverty

[3] Finch, D. and Gardiner, L. 2018. *Back in credit? Universal Credit after Budget 2018* https://www.resolutionfoundation.org/publications/back-in-credit-universal-credit-after-budget-2018/

These include issues relating to the rigid system of monthly assessment (which also underlies the five week wait for initial payments), excessive reliance on automatically generated information (yet with a failure to automate some more simple, rule-based aspects), lack of support for those who struggle to manage their claim online, difficulties with the payment of childcare costs, and poor communication of award calculations and challenge rights.

Our evidence shows that these issues are making life profoundly difficult for many families, and progress towards fixing them has been limited despite many being apparent for some time and indeed raised during the passage of the legislation. It is not enough to say that there are many people for whom universal credit is working well: changes are urgently needed to ensure that our social security system works for *all* those who use it, including those in the most vulnerable circumstances and those most in need of support.

Finally we turn our attention to the ways in which people are joining universal credit, with recommendations to make both ‘natural’ and ‘managed’ migration both safer and fairer.

Overall this briefing seeks to provide a constructive set of evidence-based recommendations for changes which are needed to reduce child poverty and make universal credit fit for families.

2. Changes that will reduce levels of child poverty

In 2017 we carried out analysis with the Institute for Public Policy Research which showed that cuts to universal credit would consign a million children to poverty who would have been protected from poverty had its original design been retained.[4] These cuts represent a huge downgrading of ambition and a breach of our duty to the next generation. Back in 2011, the impact assessment for universal credit estimated that it would lift 350,000 children out of poverty.[5] Following cuts, the government refuses to issue a new figure for the poverty impact of the system.[6]

Since then some funding has been returned to universal credit through a small reduction in the taper rate and, more significantly, through higher work allowances. However these do not come close to what has been lost in cuts. It is imperative that funding is restored so that universal credit can start to reduce, rather than increase, child poverty. Child poverty (after housing costs) has already risen by half a million since 2010 (reaching 4.1 million), mainly as a result of similar cuts in the ‘legacy’ benefits system, and is projected to reach 5.2 million by 2021/22.[7]

We have therefore carried out further analysis to model the impact of a variety of investments in universal credit on child poverty rates, as well as their cost to the exchequer, presented below. The findings are modelled to 2023/24, when the universal credit roll-out is due to finish, assume full take-up of benefits and are presented in 2023/24 prices. We hope that this will inform government deliberations on how best to tackle rising child poverty.

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[4] Tucker, J. 2017.*The Austerity Generation: the impact of a decade of cuts on family incomes and child poverty* http://cpag.org.uk/content/austerity-generation-impact-decade-cuts-family-incomes-and-child-poverty

[5] DWP (2011) *Welfare Reform Bill Universal Credit Equality impact assessment* https://www.parliament.uk/documents/impact-assessments/IA11-022AU.pdf

[6] Parliamentary Written Question 31250 (2016) https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2016-03-15/31250/

[7] Hood, A. and Waters, T. (2017) *Living standards, poverty and inequality in the UK: 2017-18 to 2021-22*, Institute for Fiscal Studies. https://www.ifs.org.uk/publications/10028

For those changes which are essentially a simple reversal of cuts (such as restoring benefits to their pre-freeze value) or which abolish specific policies (such as the two-child limit or benefit cap), the poverty reduction that would be achieved is, of course, equivalent to the poverty impact of these policies should they remain in place, and the expected cost to the Treasury is equivalent to the amount which has been lost from low income families' pockets as a result of these policies. The figures thus show just how devastating the cuts of the last several years have been, but also offer clear ways forward by showing the gains that could be made by reinvesting in the nation's children.

Policy change	Reduction in number of children in poverty (below 60% median income), after housing costs (to nearest 100,000)	Reduction in number of children in deeper poverty (below 50% median income), before housing costs (to nearest 100,000)	Cost to the exchequer (to nearest £100m)	Other information
Abolition of specific policies				
Remove the two-child limit	300,000	300,000	£1.7bn	Abolishing the two-child limit would protect the most children from poverty, per pound invested, of all the options modelled.
Remove the benefit cap	<50,000	100,000	£1.3bn	Poverty gains appear small because the benefit cap largely affects families already below the poverty line (400,000 of the 500,000 affected children would remain in poverty even if it were lifted, but would see an increase in their income nonetheless).
Remove the two-child limit *and* benefit cap	300,000	500,000	£3.4bn	
Restoration of the value of benefits				
Restore the higher rate element for the first child	<50,000	<50,000	£0.6bn	
Restore UC child element to its 2015/16 real terms value and restore the higher amount for first children	100,000	200,000	£1.8bn	Families with children would gain £230 a year on average.
Restore UC child element and child benefit to their 2015/16 real terms value	100,000	100,000	£1.8bn	Families with children would gain £230 a year on average.

Restore UC child element and child benefit to their 2013/14 real terms value	200,000	200,000	£2.4bn	Families with children would gain £310 a year on average.
Restore all benefits to their 2015/16 real terms value (reverse the four-year benefits freeze)	200,000	200,000	£4.3bn	Families with children would gain £380 a year on average.
Restore universal credit and child benefit to their 2013/14 real terms value (reverse sub-inflationary uprating)	300,000	300,000	£5.6bn	Families with children would gain £500 a year on average.
Changes to the way UC adjusts with earnings				
Introduce a second earner work allowance (equal to the current work allowance)	100,000	100,000	£2.2bn	
Reduce the taper rate to 55% from 63%	200,000	100,000	£3.9bn	
Other changes				
Raise support for people under-25 to the same level as support for over-25s	<50,000	<50,000	£1.0bn	300,000 children would gain, but this has limited effect on child poverty because the majority of claimants under 25 do not have children.
Packages of investments				
Children's package: remove the two-child limit and benefit cap, restore the child element to its 2015/16 value and restore the higher amount for first children, and increase child benefit by £5 per child per week	700,000	700,000	£8.3bn	Families with children would gain £1,000 a year on average.
Full package: Remove the two-child limit and benefit cap, restore universal credit to its 2013/14 levels, restore the higher amount for the first child, add £5 per week to child benefit, reduce the taper to 55%, add a second earner work allowance, raise support for under-25s to the over-25 level.	1,200,000	900,000	£20.8bn	Families with children would gain £2,100 a year on average.

Source: analysis of 2016/17 family resources survey data using the IPPR tax-benefit model and forecasts from the 2019 Spring Statement (latest available data at the time of analysis)

We recommend that the government immediately adopts the 'children's package', restoring around £8bn of the c.£40bn which has been removed from social security to protect 700,000 children from poverty, and looks to move toward the full package as quickly as possible.

Case studies: the benefit cap and two-child limit push families into deep poverty

A single parent lost her full-time job after a sustained period of sickness, following a sexual assault and the breakdown of her relationship. She claimed universal credit and has started working again, but her earnings fluctuate and some months fall below the benefit cap threshold meaning her universal credit is reduced significantly in these months. The result is destitution for her family. She is unable to pay for heating, relies on food banks and has no money to attend job interviews for full-time posts which would improve her situation.

A family of refugees, who arrived with two children and already expecting a third, have now had their third child and are subject to the two-child limit. This costs the family nearly £2,800 a year in lost support, and leaves them unable to pay their rent and establish a stable new life in the UK, despite their best efforts.

In addition to changes recommended in the table above, we would also like to see investment to raise support for the 100,000 disabled children who are set to lose around £30 per week in universal credit compared with legacy benefits, and the restoration of free school meals entitlement to all children in families on universal credit. The latter would benefit large numbers of low-income families and prevent the current cliff-edge whereby families can become worse off if they increase their earnings such that they lose their free school meals.[8]

3. Changes to the design and function of universal credit

Evidence from our Early Warning System shows that there are still too many ways in which universal credit goes against the grain of many people's lives, rather than with it. The following changes would help ensure stability of income, prevent hardship, facilitate work, and reduce stress and confusion for claimants.

a. Assessment periods and the five-week wait

Remove the five week wait

The five week wait is has been reported by the Trussell Trust to be a key driver of food bank use.[9] It could easily be removed completely by making advances non-repayable, so that no one is forced to struggle through five weeks without income because they know the repayments will be unaffordable. This would carry a one-off cost but would do a lot to reduce people's fears about universal credit. It would avoid the creation of hardship down the line when people who do take advances face high repayment rates. In the longer term, moving to more frequent weekly assessments (see below) would naturally reduce the initial waiting time and the need for advances.

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[8] See briefing by CPAG and The Children's Society '*The free school meals poverty trap*' for more information: http://www.cpag.org.uk/sites/default/files/uploads/fsm-poverty-trap-tcs-cpag-20180312.pdf

[9] The Trussell Trust, 2018. *The next stage of Universal Credit*. https://www.trusselltrust.org/wp-content/uploads/sites/2/2018/10/The-next-stage-of-Universal-Credit-Report-Final.pdf

Move from monthly to weekly assessment of needs[10]

Month-long assessment periods are too long to respond to claimants' immediate needs, for example those who join universal credit when out of work. A shorter assessment period would dramatically reduce the initial wait for payments. It would also make universal credit more responsive to changes in circumstances. Currently if people move house mid-month, for example, they only receive help with rent on the basis of where they live on the last day of their monthly assessment period, even if they lived elsewhere for most of the month. As long as monthly assessment remains, housing costs should be paid on a pro rata/averaged basis and averaging of childcare costs should be permitted. Earnings would be best averaged over a suitable period depending on the claimants' work patterns as not all workers are monthly paid (see below).

Case study: problems with monthly assessment of housing costs

A single mother of a disabled toddler claimed universal credit while living in a rented flat, but when her landlord gave her notice to leave she decided to move back in with her parents. She told jobcentre staff about the planned move, but was not warned that if she moved before the end of her assessment period she would receive no housing costs for that assessment period through universal credit. She paid rent of £600 during the assessment period in which she moved, then moved in with her parents a few days before the assessment period ended. On receiving her universal credit payment she found that she had received no housing cost element at all, leaving her significantly out of pocket. Had she moved house just a few days later she would have received help with these costs.

b. Treatment of earnings

Average earnings over a recognisable cycle

Many working claimants are not paid monthly[11] or sometimes have paydays which move due to bank holidays, and for them the strict system of monthly assessment of earnings can cause a host of problems as months do not all include the same number of paydays. This causes people's universal credit awards to fluctuate even when their underlying patterns of earnings has not changed, making budgeting difficult. People may even see their universal credit stop completely and have to restart their claim from one month to the next, move in and out of entitlement to passported benefits like free prescriptions, or find themselves subject to the benefit cap in some months but not others. Others have wages which fluctuate month to month.

For self-employed people whose earnings and business-related expenses are not spread evenly through the year, such as farmers, monthly assessment creates an artificial pattern of very high earnings in some months (which can take people out of entitlement and leave them subject to the surplus earnings rules in future months) and losses or nil income in others (which can leave people subject to the minimum income floor). This can leave them much worse off than a monthly-paid employee with the same annual earnings.[12] Allowing people to average earnings over a recognisable cycle would avoid all these problems.

[10] For more discussion of this issue and possible solutions see Tucker, J. and Norris, D. (2018) *Rough justice: problems with monthly assessment of pay and circumstances in universal credit, and what can be done about them*. CPAG http://www.cpag.org.uk/content/rough-justice-problems-monthly-assessment-pay-and-circumstances-universal-credit-and-what-ca

[11] 40 per cent are paid weekly, fortnightly or four-weekly according to Tomlinson, D. (2018) *Irregular payments Assessing the breadth and depth of month to month earnings volatility*, Resolution Foundation. https://www.resolutionfoundation.org/app/uploads/2018/10/Irregular-payments-RF-REPORT.pdf

[12] Low Incomes Tax Reform Group (2017) *Self-employed claimants of universal credit – lifting the burdens,* https://www.litrg.org.uk/sites/default/files/Self%20Employment%20report%20FINAL%20for%20release.pdf

In a recent case brought by CPAG, the High Court found that the government was not following the law correctly in its rigid assignment of earnings to monthly assessment periods. Since then the government has said that guidance has been updated so that work coaches can manually override the assignment of earnings to assessment periods, in cases where people are paid early in some months.[13] However this requires claimants to request the override, and we have heard from advisers whose clients have requested this and been refused; it is clear this is not an appropriate long term solution.

Disregard back pay from employment which took place before the universal credit claim started

Universal credit is paid in arrears on the basis that claimants who have just lost their job will have their last monthly pay packet to tide them over. It is nonsensical if this pay is then treated as current income because it arrives during their first universal credit assessment period.

Case studies: problems with monthly assessment of earnings

Nancy is paid on the last working day of the month and her universal credit assessment period runs from the 30th of one month to the 29th of the next month. In December 2017 she had two paydays in one assessment period, and as a result her universal credit dropped dramatically to just £64, making budgeting very difficult. The following month she received no paydays in an assessment period; as it appeared to the DWP that she had no earnings, the benefit cap was applied, again reducing her award. Between January 2018 and summer 2019 this will happen six more times and there is nothing she can do to prevent it.

Sarah works 17 hours per week and is paid £510 every four weeks. The monthly equivalent would be £552.50 – enough to mean that she would not be benefit capped if she were paid monthly. However, as she receives less than this in almost all assessment periods, except the one in twelve where she is paid twice (receiving £1,020), she is benefit capped almost every month.

Kelly claimed universal credit in late March when she lost her job. In her first assessment period, she lost all her entitlement to universal credit because her agency paid her holiday pay of nearly £300 earned between February and mid-March 2017, in a single lump sum paid on the last day of March. Kelly had to wait more than two months for a first payment of universal credit and turned to a food bank to get by.

Names have been changed.

Scrap the minimum income floor and surplus earnings rules

These excessively complex rules make people's monthly universal credit awards difficult to predict, create arbitrary differences in entitlement between people with the same average earnings purely on the basis of their working patterns, and obscure the relationship between earnings and entitlement which is meant to be easy for claimants to understand. The minimum income floor, in particular, penalises low-earning self-employed people who are often the very poorest workers (and women trying to find a form of work which fits with caring for their children) by assuming that they are making the minimum wage regardless of their actual income. The surplus earnings rules will punish people who take on temporary well-paid pieces of work by reducing future awards.

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[13] See Secretary of State Amber Rudd's response to a parliamentary question at https://hansard.parliament.uk/Commons/2019-01-07/debates/329ADE07-8849-46C0-8F2C-04571D568FAA/OralAnswersToQuestions#contribution-A5271C59-9549-4D98-ACEB-4FBE49A9B070

Case study: minimum income floor

A self-employed worker earning £313 per month had his universal credit dramatically reduced from nearly £500 a month to just £134, because the minimum income floor was applied and his universal credit was reduced as if he were earning £878 a month.

Allow alternative evidence of earnings to be used when the real-time information feed is disputed

For most employees claiming universal credit, evidence of earnings comes directly from HMRC via the real-time information (RTI) feed. The RTI is not always correct (for example if employers report earnings incorrectly) and may over- or under-state earnings, which would lead to incorrect universal credit awards. DWP's policy is to use the RTI to determine universal credit awards, even when recipients can show alternative evidence of their earnings such as payslips or bank statements, despite having the legal power to use other evidence. This has left some people in enormous hardship as they may have very low or no earnings in reality yet their universal credit is calculated as if their earnings were much higher leaving them with very little or no income. There is a dispute resolution process after which claims may be corrected, but this can take months.

Case studies: errors in real-time information and refusal to use other evidence

A single parent who was working part-time and earning £109 per month did not receive any universal credit because her earnings were reported at £2,077. She submitted payslips and bank statements, but her universal credit award remained unchanged. She was unable to pay rent or meet the costs of heating and food for herself and her child. She sent her son to live with his grandmother for the time being so that he could be fed and kept warm, but she could not afford his bus fares to and from school (in a rural area). Her mental health suffered and her GP prescribed her anti-anxiety medication as direct result of the universal credit problems. She rents privately, so she and her son were put at substantial risk of homelessness.

A man claimed universal credit about three months after his last job ended. When his first universal credit payment was due, he did not receive anything. It transpired that the DWP believed he was still working and receiving £800 per month (his previous wage was just £118), and it appeared that HMRC had received incorrect reports from his previous employer. The claimant submitted his payslips, P45 and bank statements, but was told that his universal credit would not be corrected until DWP had resolved the discrepancy. In the meantime, the claimant had no income at all, could not pay the rent and relied on food banks.

A working couple with three children lost £560 per month from their universal credit because real-time information showed their earnings to be £1,000 too high each month. They submitted payslips and bank statements, but were told that their universal credit would not be corrected until the internal dispute process had been resolved. The family is in severe hardship. Rent arrears have accrued, putting their accommodation at risk, and other debts are now accruing as they struggle to meet the cost of household bills. They have been forced to visit food banks as a matter of course and would be better off if they stopped working altogether.

c. Payment arrangements

Ensure universal credit (or at least child elements) is paid to the main carer by default

We know that when money is paid to the main carer it is more likely to be spent on children. It is also important for gender equality that women (who are much more likely to be the nominated carer of children) have an independent income. This measure would also help to protect women in abusive relationships. In the longer term the outdated model which assumes that each family has one 'main earner' and one 'main carer' should be revisited in order to support couples to share work and care more equally.

Make alternative payment arrangements available on request

Whether direct payments to landlords or more frequent universal credit payments, the current criteria are too difficult to meet (e.g. in practice most people can only get direct payments to landlords when they are already in arrears rather than as a preventative measure).

Protect child elements from deductions

We have supported families who were left with very little or even zero universal credit to support themselves and their children while their landlord was paid the housing element in full through a direct payment arrangement, because deductions (such as for the benefit cap) were applied only to the part paid to the claimant.

Case study: deductions and managed payment to landlord create disaster

CPAG has worked with a single parent who was not working due to the age of her young children. She had a managed payment to her landlord so that her rent was paid directly. Her universal credit was benefit capped as she was not working, yet her landlord received the housing amount in full while the benefit cap was applied to the amount paid to the family. This reduced her universal credit to zero and left her with nothing for the family to live on except her child benefit.

d. Advances and deductions

A full ten percent of universal credit payments is now clawed back in the form of deductions for advances and various debts. This means that, on average, universal credit recipients are receiving around ten per cent less than their advertised entitlement on a month to month basis.[14]

Remove the five week wait

Removing the five-week wait by either reducing assessment periods or making advances non-repayable (as discussed above) would reduce the extent of deductions.

Further reduce the maximum level at which deductions can be applied

We have seen multiple cases of severe hardship caused by deductions from universal credit. The reduction of the maximum rate of deductions to 30% of the standard allowance does not come into force until October 2019. This does not include all possible deductions and we are concerned that this is still a rate which will cause hardship for those with little or no other income, while the extension of the advance repayments period to 16 months rather than 12 does not come into effect until October 2020.

Case studies: hardship caused by deductions

A claimant who took out an advance at the start of his claim had his award reduced by £75 per month for advance repayments and by £52 for rent arrears and water charges, leaving him with just £44 per week to live on.

A claimant with a managed payment to her landlord was left with just £29 per week to live on after deductions for water rates, rent arrears, social fund loan and hardship loan repayments.

A bereaved widow has been struggling to pay her rent and falling into arrears because her universal credit is reduced by her widow’s pension and high rates of deduction for debts.

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[14] See https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-02-21/224493/

e. Help with childcare costs

Increase the amount available for childcare costs

Claimants tell us that even managing the remaining percentage of childcare costs is challenging and we recommend that support be increased to 100% of costs or as close to this as possible. This would also boost the rewards from starting work or increasing hours.

Pay childcare costs upfront

Many claimants struggle to meet the upfront costs of childcare as these are only paid in arrears under universal credit. Paying upfront would mean that claimants do not reject job offers, give up work or get into debt because they cannot afford to meet these costs.[15] This will mean either introducing a new form of support or adapting the Flexible Support Fund and ensuring it is widely available. Currently the Flexible Support Fund has not been widely promoted and, critically, it is not available to people in work[16] including, according to latest guidance available in the public domain, those returning from maternity leave or a career break.[17] It is clearly not suitable for payment of upfront childcare costs on a recurrent basis in its current form.

Simplify the rules for repayment of childcare costs

As long as payment remains in arrears, the system needs to be greatly simplified so that parents do not fall foul of the complicated rules and repayments should be based on the assessment period in which costs are incurred, not that in which childcare is used.

Case studies: struggling with childcare costs in universal credit

An out-of-work claimant was offered a new job and found suitable childcare, but had to pay £1,000 upfront to the childcare provider before she could start work. She can claim 85% of this back from universal credit, but due to the complex rules for childcare payments she will not receive the full amount back until more than two months later. She has been left out of pocket and struggling in the interim.

A single mother could not afford to pay childcare costs upfront when she was offered a job. She requested a budgeting advance which was refused as she had not been on universal credit long enough, and she was not told about the possibility of support from the Flexible Support Fund.

f. Conditionality and sanctions

Reduce the use of sanctions significantly

Sanctions cause significant hardship and we would like to see them drastically reduced. Immediate steps to make the sanctions regime fairer in universal credit would include removing work search conditions for people awaiting a work capability assessment, those submitting fit notes, and those assessed as having limited capability for work. A culture change and ultimately an overhaul of the system is needed so that sanctions are not applied for minor or unintentional 'infractions' such as being slightly late for an appointment.

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[15] For more information see CPAG's submission to the Work and Pensions Select Committee Inquiry on childcare costs in UC, at http://www.cpag.org.uk/content/childcare-costs-universal-credit

[16] See http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit/written/94378.pdf

[17] See https://www.whatdotheyknow.com/request/473644/response/1143337/attach/7/8e.UCFS%20guidance.pdf?cookie_passthrough=1

Remove fixed-term sanctions

Sanctions ought to end when claimants have complied with their requirements. Sanctions should also end or at least be suspended if the claimant becomes unable to comply, e.g. due to becoming unwell or having a new baby.

Institute a system of genuine warnings before a claimant is sanctioned for the first time

Warnings would need to be appealable in the same way as sanction decisions are, so they can be erased from the record if given incorrectly.

Set out a clear set list of circumstances which constitute good reason for breaching a claimant commitment

This would reduce reliance on judgement and increase fairness and accountability in the application of sanctions. Many of the circumstances could be easily defined, for example failure of childcare, transport delays, ill-health of the claimant or a person they care for, medical appointments, bereavement and so on, with a further 'other good reason' category to allow for more unusual situations.

Abolish in-work conditionality in favour of support

The in-work conditionality trials demonstrated that sanctions and conditionality do not lead to increased earnings, but that quality employment support *can* help people to progress in work.[18]

Case studies: universal credit sanctions

CPAG worked with a single parent who had physical and mental health problems, with two children aged 5 and 12. Despite providing medical certificates and information about her health conditions, her work search conditions were not adjusted to take account of her health conditions and after 12 months the DWP had failed to arrange a work capability assessment. During this time she was sanctioned three times for failure to undertake work search activity. This left her unable to feed herself and her children, and reliant on a food bank. It also caused her mental health to deteriorate. Only following a complaint was a medical assessment arranged and the sanction decisions reversed.

A vulnerable man with mental health difficulties was sanctioned while waiting for a work capability assessment as he was still expected to look for work despite providing medical certificates. He was left destitute and reliant on food banks, his mental health worsened and his tenancy was put at risk. The sanction decision was eventually overturned by a tribunal, eight months later.

g. Communication and support

Improve communication of decisions and appeal rights to claimants

We have encountered a worrying number of cases where claimants cannot understand how their award has been calculated or what decisions have been made about their entitlement, and their rights to challenge these are not communicated clearly. Others have their attempts to challenge decisions deflected meaning errors are difficult to correct. Our recent 'Computer says "no!"' report gives more details and makes practical recommendations to increase transparency, reduce confusion and ensure claimants can access their appeal rights.[19]

[18] See reports of the trials at https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial

[19] Howes, S. and Jones, K. (2019) Computer says 'no!' - stage one: information provision, Child Poverty Action Group. http://www.cpag.org.uk/content/computer-says-no-stage-one-information-provision

Case studies: poor communication of awards, decisions and appeal rights

A woman living with her family in a three-bedroom house (fully occupied) claimed universal credit but the housing costs element was very low. The monthly universal credit statement did not explain why. After several months she obtained a full breakdown which showed that she had been wrongly subject to both the bedroom tax and a non-dependant deduction, causing her to be underpaid for months on end. Had this been visible from the start, she might have been able to have her claim corrected earlier and avoid financial difficulties.

A single mother's universal credit was wrongly reduced as her brother and his family were incorrectly counted as part of her household because she was residing in their house. She submitted a mandatory reconsideration request in her online journal to attempt to have this rectified, but received responses asking why she wanted a reconsideration and incorrectly advising her that a reconsideration was inappropriate and that she should report a change of circumstances. An adviser had to intervene to ensure that the reconsideration request was eventually processed so her award could be corrected.

Remove the explicit consent requirement for caseworkers

This is overly cumbersome and hinders advice workers working to resolve problems on behalf of claimants, particularly when explicit consent is required to be given multiple times (e.g. when there are multiple issues to be resolved, or when issues take weeks or months to be resolved and DWP insists on repeated explicit consents). The Information Commissioner's Office recently determined that the approach to explicit consent is *'unduly restrictive'* and '*likely to mean that people are at risk of significant prejudice*'.[20] We await the DWP's response and hope that some common sense adjustments will follow.

Case study: difficulty resolving universal credit problems

The claim of a terminally ill man on universal credit was being treated incorrectly by DWP: evidence of his terminal illness was ignored and he was repeatedly asked to attend work capability assessments and denied a limited capability for work-related activity element. An adviser from Macmillan was unable to actively assist him due to the removal of previous implicit consent rules, and the situation took months to resolve.

Improve support for people without digital skills or access to manage claims

DWP's most recent claimant experience survey found that 15 per cent of universal credit claimants do not have access to the internet at home.[21] The 'Help to claim' programme delivered by Citizens Advice assists people lacking digital access or skills to make a universal credit claim, but does not include help for people to manage their claims on an ongoing basis. More support and better alternatives are needed, particularly for people in vulnerable situations. This could mean, for example, more access to computers at the jobcentre, alternative ways to manage one's claim and improved provision of support such as home visits (for which there can be a long wait), plus funding for more independent advice services with specialist welfare rights advisers.

[20] Letter from the Information Commissioner's Office, April 2019, available from https://www.rightsnet.org.uk/?ACT=39&fid=30&aid=1959_FbEw9yv5kMlOdwnYw2na&board_id=1
[21] DWP (2019) Claimant service and experience survey 2017 to 2018, Table 17. Data available at https://www.gov.uk/government/publications/dwp-claimant-service-and-experience-survey-2017-to-2018

Case studies: inadequate support for making and managing universal credit claims

A claimant was unable to attend the job centre because of ill-health, and therefore had to wait for his personal security number to be posted to him in order to log into his universal credit online account. While he was waiting for the letter to arrive, however, the claim was set to be closed due to inaction by the claimant. This was only discovered because an adviser retrieved an update on the claim, and asked for the letter to be re-sent. The letter still had not arrived five months after the claim was started and the claimant was still unable to access his claim. He became increasingly distraught about managing a universal credit claim that he could not access.

A claimant with a learning disability and literacy problems was refused help to claim universal credit in his local job centre because he was seen reading a text message and was therefore deemed to be capable of starting his own claim. His local authority refused to assist because its service was not available to people who would never be able to manage their claims on their own without ongoing support. His claim was delayed until his housing provider stepped in after raising concerns about increasing rent arrears.

4. Changes to the way in which people move to universal credit

a. Natural migration

Natural migration is the ongoing movement of people from other benefits on to universal credit, when their circumstances change such that they would normally claim a new benefit but instead now have to claim universal credit (which then terminates and replaces other benefits they are already claiming).

Suspend natural migration pending improvements to universal credit

Our top line recommendation is to pause natural migration while important fixes are made to the universal credit system as a whole. This would also allow more people to move through managed migration (see below) and thus benefit from transitional protection.

Additional transitional protections for people moving through natural migration

In the absence of a pause we would at least like to see transitional protections introduced for people who move on to universal credit through natural migration, especially those who are moving following an event which itself leads to other financial difficulty, those who lose out systematically in the move to universal credit and those who have not experienced a change of circumstance but have merely been the subject of an incorrect DWP decision.

These include:

- People who migrate following a bereavement or after fleeing domestic abuse.
- People who migrate after being found fit for work, particularly those who subsequently win an ESA appeal (this group ought to have remained on ESA, were it not for an incorrect DWP decision to stop their ESA, and might then have been able to move to universal credit through managed migration and receive transitional protection).
- People who are made systematically worse off on universal credit due to the loss of particular elements including:
    - Around 100,000 moderately disabled children who become nearly £30 worse off per week on universal credit due to the lower disabled child premium.
    - Parents under 25, who receive around £65 less per month for a single parent or £100 less for a couple. (In the legacy system people under-25 were entitled to the over-25 rate of benefit if they had children; in universal credit this is no longer the case.)

- Young people (under 25) with limited capability for work, who receive around £65 less per month. (In the legacy system under-25s were entitled to the over-25 rate if they had limited capability for work; in universal credit this is no longer the case).
- People who are both disabled and a carer. In universal credit only one element can be awarded for either of these situations, while in the old benefits people are eligible for both a disability-related top-up and a carer top-up. For example a claimant with limited capability for work (worth £126) and receiving the carer premium (worth £156) in ESA would be £126 worse off on universal credit as they would receive only the carer element.
- Disabled people doing permitted work as a trial or a step toward longer-term employment, whose income from work will reduce their universal credit (the work allowance is equivalent to around 6 hours a week at the minimum wage), whereas in ESA they could work 16 hours a week without seeing their income reduced.

NB due to the different ways in which universal credit treats earned income (different work allowances and taper rates) and housing cost contributions, it is not necessarily the case that everyone in these groups will be worse off on universal credit. Some may be better off if the benefit from these different rules outweighs the loss of premiums. Conversely others may be worse off by more than the loss of premiums alone implies, if these rules work against them. However they all stand to lose (or have already lost) specific top-ups, awarded in recognition of their circumstances, which could be protected.

Case studies: people losing out through natural migration

A couple who are both disabled, with a child, moved from ESA to universal credit. They immediately became £122 a month worse off because they now only receive one limited capability for work element between them.

A disabled man receiving ESA and doing permitted work of 16 hours a week, earning around £500 a month, had to claim universal credit. Now his earnings are reducing his universal credit leaving him £343 a month worse off. He is discouraged from working and likely to reduce his hours.

For more detailed discussion of natural migration and specific recommendations, see our briefing at http://www.cpag.org.uk/content/natural-migration-universal-credit

b. Managed migration

Amend the managed migration pilot regulations to include testing an automatic transfer process

This is achievable by the department creating claims on people's behalf. The DWP stated in response to the Social Security Advisory Committee (SSAC) report[22] on managed migration that it would 'explore options' to remove the need for a new claim, so it is disappointing that the regulations put forward for the managed migration pilot do not allow for this by giving the department the power to create claims.

We understand that officials are reluctant to go down this route but we believe that their concerns are surmountable and do not justify the risks involved in the current proposed approach: that people will be given a deadline for claiming universal credit and will have their legacy benefits terminated if they do not manage to do so

[22] DWP (2018) *Draft Universal Credit (Managed Migration) Regulations 2018: SSAC report and government statement.* https://www.gov.uk/government/publications/draft-universal-credit-managed-migration-regulations-2018-ssac-report-and-government-statement

on time. Many NGOs who work with vulnerable claimants have recommended an automatic approach (e.g. Mind, Trussell Trust), as well as the Work and Pensions Select Committee and the Social Security Advisory Committee. This could either be adopted for all claimants or as backup for those who struggle to claim and who cannot be reached by the department's offer of support.

Change transitional protection rules

More than half of universal credit claimants who move from other benefits are expected to be entitled to less money when they transfer.[23] Transitional protection rules mean that when people move on to universal credit, their award is frozen at the level of their total previous benefit award if they would otherwise have received a lower amount. However this protection is easily lost completely through typical life events such as forming a new couple or moving in and out of work, and is also eroded (rather than maintained as an extra top-up) whenever people's universal credit would otherwise have increased, for example due to inflationary increases or annual rent rises.

Recipients of the severe disability premium (SDP), who lose out systematically in the move to universal credit, have now been prevented from moving through natural migration so that they can move through managed migration instead and thus receive transitional protection. However the same has not been done for other groups who become systematically worse off such as parents under 25 or families with children with certain disabilities.

Transitional protection should not be so easily lost through common life events and similar protections should be extended to other groups who also stand to lose out systematically. We recommend that:

- A proportion of the transitional element stays with members of a couple when they separate, at least for a grace period, especially if there has been domestic abuse or if one person is now a single parent.
- Transitional protection is not lost when people take on periods of work of up to nine months.
- Protection for severe disability premium (SDP) recipients remains a permanent top-up to people's claims rather than subject to transitional protection erosion and loss.
- Similar protections to those offered to SDP recipients be extended to other groups who become systematically worse off on universal credit, including families with children with certain disabilities and parents under 25.

5. Final words

This report has set out a series of changes which would help stem the tide of rising child poverty, transform claimants' experiences of universal credit and make the system safer for people in vulnerable circumstances. We understand that universal credit systems and guidance are continually reviewed and updated under the 'test and learn' approach, and we have sought to reflect current rules and procedures accurately at the time of writing. We would very much welcome the opportunity to work with ministers and officials to discuss how our recommendations might be adopted, in order to make universal credit fit for families.

[23] Finch, D. and Gardiner, L. (2018) *Back in Credit? Universal Credit after Budget 2018*. Resolution Foundation. https://www.resolutionfoundation.org/publications/back-in-credit-universal-credit-after-budget-2018/