

# **What needs to change in Universal Credit?**

## **Priority Recommendations Summary**

**All-Party Parliamentary Group on Universal Credit**

**July 2019**

## **Officers of the All-Party Parliamentary Group on Universal Credit**

Debbie Abrahams MP, Vice-Chair

Peter Aldous MP, Vice-Chair

Dr Lisa Cameron, Vice-Chair

Hugh Gaffney, Vice-Chair

Ruth George MP, Chair

Lord Kerslake, Vice-Chair

Baroness Lister of Burtersett, Vice-Chair

Stephen Lloyd, Vice-Chair

Jim Shannon, Vice-Chair

Alison Thewliss, Vice-Chair

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[appguniversalcredit.org.uk](http://appguniversalcredit.org.uk)

## FOREWARD

Universal Credit is the most important reform of welfare policy for decades. We share a responsibility to get it right - it could not be more important to our prosperity and well-being as a nation. It is an opportunity to influence the productivity and mind-set of a generation, and ensure they can have a decent standard of living.

Universal Credit affects not just individual households, but whole communities. When complete, over 7 million households will be claiming Universal Credit and a further 2 million will have lost entitlement to benefits due to its changes. It will therefore affect:

- Around a quarter of the UK population
- Over a third of the working age population
- Approaching half of all children growing up in the UK.

The gradual roll-out of Universal Credit has meant that many difficulties with the system have appeared slowly – affecting small numbers of cases at first, and often spread out geographically, as the roll-out of Full Service progressed.

For the DWP's 'Test and Learn' approach to work best, information on emerging issues and impacts needs to be tested and collated as early as possible.

Members of Parliament are often some of the first to become aware of issues with benefits. As advice services reduce, MPs' offices are becoming a more frequented route for advice. MPs are also not affected by the difficulties with Universal Credit over gaining consent to act, so can be asked to assist where other agencies are unable to.

**The All-Party Parliamentary Group (APPG)** on Universal Credit was established for Members of both Houses of Parliament of all parties to be able to come together to discuss the experiences of their own constituents with Universal Credit, to receive advice and support from experts in the field, share best practice in supporting constituents and to monitor practical experiences of this critical policy as it is rolled out.

The core aims of **Universal Credit** (UC) were to simplify the benefits system and make it easier for people to move into work. However, many constituents report practical difficulties which leave them struggling to get by and can make it more difficult to move into

work or to get on in work. We can redesign UC so that it helps to unlock opportunities for people who are having a hard time.

Having held 16 meetings since the **APPG** was set up in November 2017, examining different aspects and impacts of Universal Credit, the Group decided to compile the findings from Parliamentarians and expert speakers into priority recommendations for improving claimants' experience of Universal Credit, enabling it to better fulfil its original aims for more people.

The **APPG** invited all Parliamentarians and expert speakers to submit their priority recommendations to improve Universal Credit, based on their experiences.

Parliamentarians held a meeting on 26<sup>th</sup> February to discuss the evidence submitted to the APPG and decide the Group's priority recommendations.

This report therefore contains very practical recommendations for the changes that are required to UC, to enable it to better support those with insufficient income.

The Officers of the APPG hope that it will assist Ministers to look clearly at the problems faced by so many claimants and engage with practical solutions which would dramatically improve their experiences of living on Universal Credit.

I would like to thank all Parliamentarians, organisations, Parliamentary staff and individual claimants of UC who have contributed their experience and expertise to make this report full, practical and useful.

*Ruth*

Ruth George MP

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# 1. DESIGN

Key changes to the design of Universal Credit could significantly improve the overall experience of claimants to protect them from hardship, and enable them to achieve a more stable income, to budget better, and to avoid debts or arrears.

## **A. The 5 Week Wait and Advances**

The National Audit Office report in June 2018 found that the initial minimum 5 week wait for the first payment of UC sees 60% of claimants taking out advances which can be difficult to pay back. Delays to receiving payments of Universal Credit has been a key driver in the increased use of food banks across the UK, as claimants are having to survive on little to no income for a long period of time – an unacceptable situation that we must put right to stop families getting locked in poverty. The amount deducted from ongoing payments in order to pay back the advances has also been a significant factor.

**Recommendation: The DWP needs to abolish the 5 week wait for Universal Credit.**

## **B. Assessment Periods**

The rigid monthly assessment periods for Universal Credit cause problems for claimants when earnings are not received monthly, and mean that a claimant's circumstances on one day govern their Universal Credit entitlement for a whole month.

**Recommendation: The DWP needs to urgently comply with the findings of the High Court, that people paid monthly but whose earnings for two months fall into one assessment period should be treated as having been paid for the period when their wages were earned, rather than the date they were received.**

**Recommendation: People who are self-employed should be able to request 3-monthly assessment periods for earnings and costs.** This would even out sporadic payments and fit with reporting requirements for Making Tax Digital, reducing bureaucracy for micro businesses.

**Recommendation: The rigidity of monthly assessment periods needs to be urgently reviewed.** People who are paid on a different schedule should be able to average their earnings. Those who have a change of circumstances during the assessment period should have the option to average out the impact.

### **C. Monthly payments and rent payments**

Many UC claimants find it difficult to budget with a single monthly payment, and struggle to keep on top of utility bills, rent and food budgets. Some tenants find it difficult to prioritise paying rent, especially if they have other debts to repay. This means they are always on the back foot and held back from being able to improve their standard of living, however hard they try.

**Recommendation: Claimants should be paid twice-monthly by default** as they are in Northern Ireland, and in pilots in some Jobcentres, with the option to be paid monthly if they wish.

**Recommendation: All claimants should have the option of direct payments to their landlord from the start of the claim.** For claimants with a history of rent arrears or debt, direct payments should be by default to ensure they are able to secure a tenancy. The DWP should also do all that it can to facilitate separate payments in Scotland, as agreed by the Scottish government, so that the Department can learn from their experience in developing its own policy.

**Recommendation: The DWP should inform landlords of this system in order to avoid people unnecessarily falling into rent arrears.**

**Recommendation: Ensure that Universal Credit is paid 53 weeks in a year when applicable.**

#### **D. Single Household Payments**

The Secretary of State has recognised the problems caused by paying UC into one bank account in a household with only discretionary split payments, which have to be requested, for example in cases of domestic abuse, where the non-receiving partner is unlikely to make a request. The Secretary of State committed in January “to ensuring that household payments go directly to the main carer – which is usually, but not always, the woman.” However, this doesn’t help women who are subject to domestic abuse or who don’t have children and requires women to disclose the abuse to the DWP, which may put them in further danger.

**Recommendations: Separate payments of Universal Credit should be the default.**

As millions more people transfer onto UC, it is essential that payment arrangements do not exacerbate financial control within a relationship. The Government needs to act with urgency to devise a method for splitting payments fairly within a couple and to proceed with it.

**In the meantime, all household Universal Credit payments for couples with children should be to the main carer by default.** The Government has said only that it will only “encourage” claimants to take this option. That means it is unlikely to have the wholesale impact the Secretary of State intends, and couples where abuse or coercive control is a problem are unlikely to respond to “encouragement”.

## 2. Adequacy

Whilst the 2017 and in particular the 2018 Budgets have reduced both the losses and the number of households that lose out under Universal Credit, almost all of the gains have been for people who are in work who benefit from the increased work allowances and 2% reduction in the taper rate.

### A. Benefits Freeze

It is important to note that there are other policies that apply to both the legacy system and UC which are driving the increase in poverty, especially among families with children. The most significant policy increasing poverty, particularly amongst families with children is the freeze on working-age benefits and tax credits.

**Recommendations: Benefits should rise by 2% above inflation for each of the next 4 years in order to restore their value to 2015 levels.**

**A minimum standard of income for benefits claimants should be assessed and implemented by the DWP for all elements of Universal Credit.**

### B. Local Housing Allowance

The dual impact of the benefits freeze with the 30% cap on Local Housing Allowance (LHA), together with rents rising faster than inflation, has meant that the value LHA has fallen even faster than other benefits. In some areas of the country it now covers just 3% of rents.

This means that most Universal Credit claimants have to make up a shortfall of rent out of their Universal Credit payment. In many cases this shortfall is between £100 and £200 a month, making it impossible for them to get by.

**Recommendation: The value of Local Housing Allowance should be restored to accurately reflect the lowest 30% of market rents in every area.**

## C. Children

**Two-child Limit:** The Secretary of State's abolition of the two-child limit for families whose children were all born before the introduction of the policy was welcome.

However, this only affects 15,000 families, whereas a further 800,000 or more families are likely to be affected by the two-child limit once fully rolled out. Families with 3 children lose an average £2,600 a year, and families with 4 or more children an average £7,800.

**Recommendation:** There should be additional allowances for each additional child in a family and that the two-child limit be abolished in all cases.

**Free School Meals:** The earnings threshold of £7,400 a year to qualify for free school meals leaves many families in a situation where earning more would see them worse off, as a consequence of Universal Credit. Mostly single parents are affected, a key group to unlock from the constraints of poverty.

**Recommendation:** All Universal Credit claimants should be entitled to free school meals to ensure families are not caught in a poverty trap of being worse off by earning more.

**Premiums for Children with Disabilities:** Cuts in the lower child disability element of Universal Credit will leave over 100,000 families with disabled children worse off by more than the £1,750 per year.

**Recommendation:** The lower child disability element of Universal Credit needs to be restored to the equivalent of its previous level under tax credits.

**Childcare Costs:** Whilst the payment of 85% of childcare costs under UC is a welcome improvement, the payment of fees upfront and rules for reporting childcare costs are unnecessarily strict and complicated.

**Recommendation:** Childcare costs should be made in advance, on receipt of the invoice from the childcare provider, rather than in arrears.

**Recommendation: There needs to be an option of paying the registered childcare provider direct, if this is what parents prefer, as they can be under childcare vouchers and tax-free childcare. The recommendation aims to address the difficulties faced by parents who have to pay upfront payments for childcare, provide certainty to childcare providers about receiving payments, and supports the DWP's aim of reducing the risk of fraud and error in childcare payments.**

**Recommendation: To ensure parents can afford to increase their earnings through work, the cap on childcare support through Universal Credit should be raised to £240 a week per child (the average cost of a full-time nursery place), to help make the switch to Universal Credit more positive by enabling more low-income parents to afford to work.**

**Parents aged Under 25:** Under the tax credit system, parents under 25 are entitled to the over 25 rate because they have a child. Under Universal Credit they are only entitled to the under 25 rate, despite having a child, at a loss of £66.05 a month.

**Recommendation: That parents aged under 25 should be able to claim the full rate of Universal Credit.**

**Students with Children:** The current system is extremely restrictive for parents with children. They feel unable to study to improve their prospects of higher paid employment and are pushed back into low-paid work or worklessness due to a lack of support under Universal Credit. Parents have left courses due to the lack of support, which they find especially hard on courses involving considerable work experience and shift work, such as nursing.

**Recommendation:** The Child Element of Universal Credit should be made available on top of student loan payments, and parents who are students should be able to claim childcare support. Full-time students on courses of Level 3 or above should also be able to access 30-hours funded childcare for 3- and 4-year olds, which would

be a less expensive option for this age group. These changes to the system would give parents more options to continue their studies and improve their circumstances.

#### **D. Disability**

On average, disabled people have a lower level of financial resilience than non-disabled people, with 83% of those eligible for Severe Disability Premium (SDP) saying they would have to cut back on food if their benefits were reduced.

**Severe Disability Premiums:** Disabled people currently receiving premiums would see the greatest reduction in their support through moving to UC. Once Universal Credit is fully implemented, people with additional care needs but with no adult to assist them will be entitled to about £64 less a week than those in the current system, and even the most disabled adults in the support group for ESA will be entitled to £42 a less a week than in the current system.

**Recommendation:** The APPG welcomes the halting of people with SDP moving onto Universal Credit, but **calls for a permanent solution to protect the vital support that people with severe disabilities receive through premiums.**

**Recommendation:** **The DWP must ensure that the disability elements of Universal Credit are at least equivalent to those which applied on legacy benefits.** This would mean allowing people to gain access to an extra addition to UC, based on receipt of PIP or DLA, rather than just an assessment of work capability

**Introduce a Self-Care Element:** Young disabled people are affected by a number of reductions under Universal Credit but it is crucial for them to have financial support when they seek to move into independent living for the first time.

**Recommendation:** **The introduction of a 'self-care' element within Universal Credit to recognise the additional costs faced by individuals with high support needs.** It should be paid at the same rate as the carer's premium to anyone who does not

have someone caring for them who is claiming the carers allowance or carer's premium.

**Disabled Carers:** Under Universal Credit, carers who are disabled only receive one additional element - the highest of either their disability or caring element. This fails to recognise that disabled carers have costs which relate to their disability, and other costs that relate to their caring role. Their caring role – which can be even harder for them to undertake than a carer without a disability – fails to be recognised, which is unjust in light of the huge saving which carers make to both society and the public purse.

**Recommendation: Disabled carers should receive elements for both their disability and their caring rather than just the highest.**

**Remove the 3-month waiting period** for the Limited Capability for Work and Work-Related Activity elements (LCWRA).

**Recommendation: The APPG calls for people with a health conditions and disabilities to be exempt from having to carry out work requirements whilst they are waiting for a Work Capability Assessment.**

## **E. Pensioners**

From 15<sup>th</sup> May 2019, couples with one partner who is over pensionable age and one who is younger are no longer be able to claim Pension Credit but must claim Universal Credit.

The APPG believes the decision does not take into account the additional costs of a household which includes a pensioner, especially if the younger member of the couple is a carer and therefore unable to work.

**Recommendation: The APPG calls for the pensioner element for cases where a couple includes a member who is over pensionable age to be reinstated in Universal Credit.**

## **F. Rewarding Employment**

People with a limited capability for work due to illness or disability and parents of children are able to earn a certain amount each month before their Universal Credit award is tapered at 63p in the pound.

These work allowances are insufficient to make work a viable route out of poverty. Even the higher allowance of £5,908 a year (£113.62 a week) is lower than the £6,420 (£123.46pw) equivalent in tax credits, and the £6,420 has been frozen for 20 years.

### **Recommendations:**

- **We recommend the re-introduction of a work allowance for single people and couples without children to improve work incentives.**
- **Work allowance to be introduced for second earners in a couple with children.**
- Under Universal Credit, disabled parents receive only one work allowance, with nothing to compensate them for the additional costs of children and of working with a disability. **We recommend that disabled parents who face these dual barriers to work are able to make use of two sets of work allowances.**
- At the moment, claims for people who move in and out of entitlement due to fluctuating earnings are having their claims closed and they have to indicate that they wish to re-open their UC claim. Those who are unaware they need to do so immediately can miss out on a further month's payment. **We would therefore recommend a time period of 6 months for claims for people who**

**are working to remain open and for assessment to take place automatically to check if they qualify for a payment.**

### **G. Rewarding Self-Employment**

The group set to lose most from UC are self-employed people due to a 'Minimum Income Floor' which assumes people in self-employment are earning a minimum of 35 hours a week of work at the minimum wage.

**Recommendation: The Minimum Income Floor in UC be abolished, or at least suspended,** until a proper evaluation has been carried out on the impact it is having on the low paid self-employed, particularly those with variable incomes.

**Recommendation: People who are self-employed should be able to request 3-monthly assessment periods for earnings and costs.** This would even out sporadic payments and fit with reporting requirements for Making Tax Digital, reducing bureaucracy for micro businesses.

**Recommendation: The start-up period within Universal Credit should be extended from one to three years,** on the grounds that all the evidence suggests that a one-year period is an entirely unrealistic timeframe within which to expect a new business to be fully operational.

### **H. Passported Benefits**

Passported benefits can make the difference between it being worth working or not. Passported benefits include help with the cost of children, such as free childcare for 2-year olds and free school meals. They also help with healthcare costs such as free prescriptions, no dental charges and free glasses or contact lenses.

The passported benefits included are:

- Free School Meals (per section A on Children)

- Free NHS prescriptions
- Free Dental Appointments
- Free Childcare for 2-year olds
- Healthy Start Scheme (For pregnant women of at least 10 weeks or with children under 4 free vouchers every week to spend on milk, fruit and veg and formula milk).
- Warm Home Discount: £140 off electricity bill between September and March.
- Cold Weather Payments (payment of £25 for a 7-day period where the average temperature in the area is recorded as or forecast to be 0 degrees Celsius or below for 7 days in a row)

**Recommendation: Everyone on Universal Credit should receive all passported benefits.**

**Recommendation: Improve the verification process for UC claimants to show that they are entitled to free prescriptions and put a tick-box for UC on the application form.**

### 3. Migration onto Universal Credit

#### A. Natural Migration

The DWP have come up with a wide range of triggers which mean 100,000 claimants each month are moving from legacy benefits onto Universal Credit with no transitional protection.

**Recommendation: Where migration to Universal Credit for someone who is already claiming benefits is triggered, a comparison should be made between what they would have received following their change of circumstances under the legacy benefit system, with the payment they would receive under Universal Credit and a top up provided to meet any shortfall.**

**Recommendation: Only where an entirely new claim for benefits is made, for example when a couple separate, should a transfer to Universal Credit be made.**

#### B. Managed Migration

The remaining 2 million households which are not due to move onto UC by natural migration will be transferred between 2020 and 2023/24 under a process of 'Managed Migration' where claimants on legacy benefits are asked to start a claim for UC. When this claim is processed, their entitlement to legacy benefits will be ended.

**Recommendation: The DWP should ensure that they do everything possible to support claims through the managed migration process and involve claimants in its design.**

This includes:

- A commitment to not ending legacy benefits until a Universal Credit claim is paid.
- Proactively contacting claimants by phone or in person if they do not respond to letters.
- Making home visits to all those who are unable to visit a Jobcentre in person.
- Involving claimants in co-designing the final managed migration process.  
Claimants are the real experts of navigating the Universal Credit system. Ensuring they are routinely embedded in the benefits design process will give the DWP a greater understanding of user needs and help to iron out problems with the system before they are implemented.

## 4. Cultural, Competence and Claiming Issues

### A. Digital by Default

Claimants are expected to be computer literate and to have access to equipment and the internet in order to claim Universal Credit and to manage their claim.

**Recommendation: The contract for support at the start of a UC claim should be expanded to provide phone or face-to-face support for ongoing difficulties in managing the UC account**

### B. Claimant Commitment

A key part of Universal Credit is the Claimant Commitment, yet there are many issues with it which are causing claimants unnecessary difficulties and heightening the risk of them getting locked in poverty.

**Recommendation: It must be made clear to Universal Credit claimants, that their claimant commitment can be negotiated with their work coach.** Claimants should be provided with information before their claimant commitment appointment at the Jobcentre, about what their work coach should take into account in their claimant commitment.

**Recommendation: A 14 day 'cooling off' period following signing the claimant commitment should be implemented,** mirroring the similar period given to consumers signing financial contracts, to allow claimants time to consider what their work search commitment will entail.

**Recommendation: Universal Credit accounts should not be closed within 7 days if a claimant commitment has not been signed off by the applicant.**

### **C. Sanctions**

The DWP's UC Full Service Survey showed that 11% of claimants had been sanctioned, of whom 18% had been sanctioned more than once.

These are far higher rates than JSA or ESA.

**Recommendation: The DWP should publish a list of common circumstances that constitute 'good reason' for breaching the claimant commitment.** There needs to be a standardised sanctions process across the country to reduce reliance on judgement and increase fairness and accountability in the application of sanctions.

**Recommendation: All DWP staff and work coaches should receive training on the definition of 'good reasons' for claimants not to be issued with a Universal Credit sanction.** This should include an 'other circumstances' category where judgement can be applied. The training must also ensure that DWP staff are aware of and follow standardised procedure in relation to sanctions. This should be followed up with a requirement for decision makers to ensure that these procedures have been applied before sanctions are implemented.

**Recommendation: Remove fixed term sanctions** - sanctions should end when claimants have complied with their requirements. Sanctions should also end if the claimant becomes unable to comply, for example due to becoming unwell or having a new baby.

### **D. Deductions**

The APPG believes the rate of deductions being applied to Universal Credit claimants is too currently high in too many cases. Overpayments of Universal Credit are being recovered at huge rates, leaving people already struggling to cover costs in further financial difficulty.

**Recommendation: DWP should introduce a standard affordability assessment, in consultation with debt advice charities, which protects the child, disability and**

housing elements, and is mandatory for all staff to use before setting debt repayments for either advances or a third-party debt.

**Recommendation:** Overpayment charges when the fault is of the DWP, rather than of the claimant, should be waived and a Code of Practice for overpayments introduced, outlining a proper disputes procedure to take in to account both financial hardship for the claimant and official error.

**Recommendation:** The DWP should write off historic Tax Credit overpayments as the government stated they were doing in 2011, more recent overpayments should be proved, and the opportunity given to challenge them properly.

## 5. Bureaucratic Issues

### A. Making and Managing a Claim

The process of making a Universal Credit claim should be as simple as possible, with a good system of communication between the claimants and the DWP. This would limit the amount of errors in the Universal Credit process and prevent problems for claimants further down the line.

#### Recommendations:

- **Under the 'Help to Claim' service the date of claim for Universal Credit should start from the date the claimant notified Citizens Advice or DWP of the need for help in making the claim, provided that their actual claim is subsequently made electronically by Citizens Advice.**
- **The DWP should provide a pdf version of the claim form so that applicants are aware of what information is required to make their claim – as it stands this form is not available unless applying.**
- **There should be an opportunity for claimants or their representative to call the DWP and discuss their claim directly, as often people are promised that they will be responded to or receive a call from decision makers, which is not the case.**

**Claims not Completed.** Worryingly, around one in five claims for Universal Credit are not completed.

**Recommendation: The DWP needs to conduct and publish research on the stages at which a claim fails and follow up with claimants to identify the reasons why a claim was not completed.**

**Managing a Claim without Internet Access.**

**Recommendation: The text system should include brief information about the content of the journal message, so the claimant knows how urgent it is for them to view the message.** eg. if a response is required, and if so the deadline.

**Implicit Consent.** Many advisors are reporting difficulties in supporting clients, who are often unable to advocate on their own behalf.

**Recommendation: The APPG recommends a new system of authorisation for third party advisers, including a ‘trusted organisation’ list and restore implicit consent where it is clear that the agency is known to DWP and on the list,** to avert constant problems with authorisation. A model for this may be the HMRC Tax Credit arrangements for advice services, or a variant on the Apollo List.

**Recommendation: The DWP should implement a system for claimants who have Corporate deputies or appointeeships to be able to claim Universal Credit, where an email address cannot be created by the deputy for those claimants.** As of April 2018, according to the Office of the public guardians there were 33,581 deputies in the UK.

## **Refugees**

The Home Office currently gives new refugees only 28 days to transition from asylum support, claim Universal Credit and to vacate their asylum accommodation, known as the ‘move-on period’, whilst Universal Credit has an inbuilt delay of 35 days between an application being submitted and the first payment.

**Recommendation: The APPG supports calls from refugee organisations that the Home Office should extend the ‘move-on period’ for newly recognised refugees to at least 56 days,** allowing time to apply for a bank account and for benefits, followed by the minimum 35-day waiting period for the first Universal Credit payment.

## **B. Staffing**

For Universal Credit to be the personalised supportive system that the government states they want, requires investment in a professional and dedicated workforce which has the time to properly consider the necessary decisions to understand the needs of claimants, and offer them the support they require. With multiple benefits now being managed under one system Universal Credit staff have to understand and deal with a vast number of new rules and systems compared to legacy benefits.

**Recommendation: The DWP need to invest money into sufficiently staffing Universal Credit, with a dedicated and professional workforce to ensure it can deliver the personalised support to claimants that they are consistently promised.**

## **6. Conclusion**

This report makes clear the wealth of problems with Universal Credit which mean it isn't working for so many claimants.

Putting those problems right is not an impossible task for any government, but it is one that will require considerable effort and resource.

This report sets out a checklist of problems and practical solutions – many of which come at little or no cost – that will improve the experience of claimants and help them to feel supported, rather than victimised by the benefits system.

We hope that Members of Parliament from all sides of the House will continue to listen to the direct experiences of Universal Credit claimants and work with the government to make as many improvements as possible.

As 150,000 claims a month for Universal Credit are current being made, the sooner these changes are made, the more people will benefit, and the more positive their experience of Universal Credit will be.