

## **Moving claimants to Universal Credit from other working age benefits**

### **Turn2us written submission to the Social Security Advisory Committee – August 2018**

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#### **Introduction**

Turn2us is a national anti-poverty charity helping people find financial safety nets such as charitable grants and welfare benefits so anyone at risk of being pulled into poverty can get their life back on track and plan for their future with dignity.

Last year we gave £3.6m to households struggling to make ends meet and helped nearly 3.1m people towards greater financial stability through our website and helpline. Over 6.9 million people visited the Turn2us website last year and our helpline which provides guidance to individuals on their benefit entitlement handled 85,000 enquiries. As a result we have come into contact with many people struggling with Universal Credit.

Our evidence is based on the information we receive from people we help and highlights a number of issues which require addressing to make sure Universal Credit managed migration provides a financial safety net to people who need it most.

#### **Summary**

Turn2us welcomes the opportunity to submit evidence to the Social Security Advisory Committee on Universal Credit managed migration and transitional protection. Information gathered from people seeking information and support about their welfare rights shows serious and damaging design flaws in the way Universal Credit is being implemented and allows us to model and understand the real impact managed migration will have.

We have focused on seven key areas where practical steps can be taken to make sure people are not penalised through migration. By investing in resourcing, providing better structures to identify vulnerable people and establishing clear migration pathways to prevent people from falling out of the social security system, Universal Credit could have a real and positive impact.

#### **1. Migration notices and deadlines**

The current proposals for managed migration risk too many people dropping out of the system or facing delays due to finding it difficult to apply by their deadline. The recent Citizens Advice report on 'Making a Universal Credit claim' shows that many claimants are finding claims more difficult than the Department for Work and Pensions (DWP) expected. This is of particular concern for vulnerable groups and too much onus is being placed on the claimant to present 'good reasons' for their deadline to be extended. We welcome the efforts of the DWP to make this process smoother such as earlier migration notices and additional support for vulnerable groups; however, we are concerned there are too few safeguards to ensure some claimants don't fall through the net.

We believe that migrants should not just be invited to make a claim but properly migrated. The automatic termination of legacy benefits if the deadline is missed has a far too severe impact on claimants. Every person currently claiming legacy benefits should be part of a clear and established process through migration. We have concerns that vulnerable people could simply drop out of the system.

We recommend that greater support and flexibility is provided by DWP. And existing information held for legacy benefits can be used to calculate Universal Credit entitlement – this is information which will already be used to calculate the transitional element, so is readily available.

There are a number of simple and practical options to be considered to make sure that people requiring the financial safety net provided by welfare benefits are not let down through managed migration. Placing a duty on the Secretary of State to ascertain why a claim has not been made prior to any action being taken will help to make sure vulnerable people do not slip through the safety net.

Alternatives to improve flexibility of migration include:

- Automatically move people across to Universal Credit using their existing benefit information. If additional information is required, Jobcentres can use a short form to seek clarification.
- Details can be verified at a claimant's interview.
- As a backstop, legacy benefits should not be terminated until a Universal Credit claim has been made.
- The failure to meet the deadline for applying for Universal Credit, or an unsuccessful claim could act as a trigger for receiving Universal Support, paired with an extension to the deadline.

## **2. Universal Support**

Universal Support is a vital part of the successful implementation of Universal Credit. It is of critical importance that it is well resourced in terms of peoplepower and an adequately skilled workforce. The provision needs to be consistently available and of the same standard, irrespective of locality or delivering partner. This is particularly important for vulnerable claimants and those with digital accessibility issues.

Whilst we welcome all efforts to provide claimants with digital training so that they can support themselves and increase their employment prospects, it has to be recognised that there will be a group who will be unable to be trained and will need on-going support. As a result it is also important that the Universal Credit Service Centre is adequately resourced and skilled to provide this. It should also be considered that there will be a segment of this group who will face both digital and language barriers.

The vast numbers of people who will be migrated and need Universal Support will represent an on-going challenge to the capacity of local authorities and supporting partners. Whilst the phasing of the roll-out of managed migration may help to lessen the burden, this will not

be a complete solution as overall demand will increase as ongoing support is being provided on top of support for new migrants or claimants.

The large number of different local authorities and partner organisations involved in delivering Universal Support raises concern about the quality of service for everyone and how sustainable this would be. This is of particular concern in a climate where local government budgets have been significantly reduced and civil society organisations are becoming increasingly stretched by demands. It is essential that Universal Support is adequately funded and resourced and that effective monitoring is in place so that provision can be tracked. This is all the more important with the current proposals for managed migration where an unsuccessful claim will lead to transitional protection being lost.

### **3. Vulnerable claimants**

Further to the requirement for Universal Support highlighted in section two to meet the needs of vulnerable claimants, it is exceedingly important that Universal Credit has clear, comprehensive, and consistent criteria and processes in place to identify vulnerable claimants or claimants with complex needs. This needs to be in place prior to managed migration.

The DWP should explore using the data already available from current benefits to help identify vulnerable individuals, including any flags on the system. A precautionary principle should be applied that if someone was identified as vulnerable under legacy benefits that they should be treated as vulnerable during and after the migration until proven otherwise.

We recommend that managed migration is postponed until the issue of identification of vulnerable claimants is resolved, and that natural migration is suspended. If this is not adopted then the migration of anyone currently claiming ESA should be postponed as this will include a large amount of vulnerable claimants

### **4. Transitional protection**

Transitional protection is an important mechanism for ensuring migrants are not subjected to a sudden decline in income. As a result, it is important that transitional protection is not eroded too easily by changes of circumstance which do not necessarily correlate to a change in need for the additional income. Some important areas to consider are:

- Rents in the social rented sector will go up from 2020 and this will erode transitional protection if amounts have been fixed at the rent a claimant is liable for at the point of transition.
- Getting a job for a short time or finding insecure work would lead to loss – this potentially discourages engagement with the labour market. This can be solved by a

buffer period but this needs to be long enough to ensure that people feel secure, for instance six months (a typical probation period).

- The impact transitional protection may have on a domestic abuse survivor wishing to leave an abusive relationship. Under current proposals they risk losing their transitional protection as a partner leaving a household qualifies as a change of circumstances under which transitional protection can be lost or eroded. This means that survivors may be effectively penalised for fleeing an abusive relationship.

There should be some safeguard to prevent the loss of transitional protection if an individual or household make an unsuccessful claim or miss their deadline day. For example, a three or six months grace period in which if they make a successful claim during that time their transitional protection will still be applied based on their legacy benefits. Alternatively this issue would be mitigated if a true migration was undertaken as outlined above, rather than only inviting people to apply.

In proposing transitional protection the DWP has clearly recognised the need to protect managed migrants from a sudden drop in income, however it is estimated that roughly two thirds of the households expected to be on Universal Credit by 2023 are expected to join through natural migration not managed migration. This leaves many households ineligible for transitional protection. For many households the change of circumstance that triggers their natural migration would likely not have completely eroded the transitional protection they would have if they were managed migrated. It is unfortunate that different claimant's incomes will be purely dependent on when they had a change of circumstance. Chance is not a good basis for policy. Transitional protection should either be extended to natural migrants or natural migration should be halted with all remaining legacy benefit claimants being managed migrated.

## **5. Severe Disability Premium**

We welcome the introduction of transitional protection for people who currently receive the Severe Disability Premium (SDP) as part of their legacy benefits. We are also pleased that the DWP has committed to ensuring that anyone who has already lost their SDP under natural migration will now be given an on-going payment and a payment to cover the period since they were moved to Universal Credit. We hope the department endeavours to ensure that all of the 4,000 affected claimants are reached.

We are however concerned that a person who is in receipt of the SDP could in some situations receive a lesser amount if they are or have been naturally migrated to Universal Credit (under the new transitional protection proposals) than if they are moved over by managed migration (where they will receive the same amount as at present). For example:

Joe, 30, is single and lives on his own, he is currently in the support group for ESA and getting PIP enhanced daily living rate (and he doesn't have a carer getting Carers Allowance for looking after him), meaning he is entitled to both the Severe Disability Premium and Enhanced Disability Premium of ESA. He has no other

income or capital. Joe has moved house to somewhere that can better accommodate his disability; because of this he is now being naturally migrated as his new home is in a different local authority which is a full service area. For the purposes of this illustration it is assumed that Joe's rent and local housing allowance remains the same.

His current weekly entitlement is as follows:

- ESA personal allowance = £73.10
- Support component = £37.65
- Severe Disability Premium = £64.30
- Enhanced Disability Premium = £16.40

Total = £191.45 pw

If Joe is naturally migrated to Universal Credit his monthly entitlement will be as follows under the current proposals:

- Universal Credit standard allowance = £317.82
- Limited capability for work-related activity element = £328.32
- Transitional protection element = £80

Total = £726.14 pcm which equals £167.57 pw

This means Joe would be £23.88pw (£103.48pcm) worse off if he is a natural migrant, in comparison to if he receives full transitional protection under managed migration. That is a total of £1,241.76 a year or a 12.4% reduction in Joe's income after housing costs simply because he was unable to wait until managed migration.

Everyone who qualified for the SDP should receive the same amount under Universal Credit regardless of whether they are a natural migrant or a managed migrant.

We are also concerned that if the SDP is only converted into a transitional element it will be eroded by any changes to circumstances, or any tapering. The failure to include SDP as a standard element within Universal Credit will also leave any future claimants worse off than they were under the old system. This reduction equates to around £180 a month, leaving many disabled people at greater risk of falling into poverty. One particularly harrowing story we heard shows the short-sightedness of this decision:

*'In August of this year I was diagnosed with terminal brain cancer (glioblastoma) and received brain surgery before being put on a six week intensive radio and chemo therapy treatment course. With support from Macmillan I was advised of financial support I can receive. Since the beginning of September I've had repeated problems with Universal Credits - a roll out where I live - with them refusing to backdate my claim despite my being incapacitated during June & July (normal with ESA,*

*apparently, though ESA does not exist under Universal Credits, and nor is there any recognition of terminal illness). Also I appear unable to claim Severe Disability Allowance (despite my being a DS1500 Special Rules category) as this appears no longer to exist. I have an eleven year old son, I want to survive as long as possible, but the DWP seems more intent on hastening my death.'*

Transitional protection is not an adequate mechanism for resolving the lack of SDP within Universal Credit. The SDP should be reinstated in Universal Credit.

## 6. Payment Timings

Unlike legacy benefits which are paid fortnightly, Universal Credit is only paid monthly, in arrears – except in exceptional circumstances. This is in order to encourage claimants to get used to work culture. But this very rigid payment structure is causing problems for many claimants. Our helpline has found most people are used to fortnightly payment and being paid monthly instead is causing budgeting problems. The payment structure is causing particular complications for people working weekly or fortnightly. A single mum of three children told us:

*'I'm... finding it very difficult as I've never been paid monthly before.'*

Combined with the five-week delay, this method of payment is also leading to a rise in rent arrears. One individual who came to us said:

*'My rent account is currently up-to-date, but if I were to switch to Universal Credit my rent account would suddenly become 1 month in arrears because the housing association charge rent 1 month in advance and housing benefit is paid in arrears.'*

The five week waiting period before a claimant's first Universal Credit payment is a serious concern and is leading many people into dire financial straits. The current Advanced Payment provision is inadequate as the subsequent deductions to pay it back are unaffordable for many and the cap on deductions is too high. This can explain why the take up of Advanced Payments has been so low – many people are seeking alternatives to tide them over. The DWP should instead consider a run on from all legacy benefits, in addition to the current two week run on for Housing Benefit, to ensure claimants have enough to get by during the transition.

The rigidity of assessment periods is also potentially problematic for some in-work claimants, particularly where pay dates fall close to the start of an assessment period. In some circumstances someone will be paid twice within a month period, for example when a payday was slightly earlier due to the normal date falling on a weekend. The Universal Credit system will record an artificial high income in this period and mean a claimant can lose benefits. In the subsequent period they can be hit by a further complication when the system records that they haven't earned anything and they are therefore subject to benefit cap penalties.

This situation can lead to severe financial difficulties, including potentially needing to take out loans to cover the shortfall and stress during this time as well as an overall reduction in

benefit income. It could also lead to a loss of transitional protection if the change in income recorded on the system qualified as a change of circumstances. It is important that this situation is accommodated and resolved, and that this can be done without the need for a manual intervention – which could lead to individuals slipping through the net.

## 7. Single payments

A further area of concern regarding payments has already been raised by the House of Commons Work and Pensions Committee report on Universal Credit and domestic abuse. The issue of split payments being misused by abusive partners and making it harder for a domestic abuse survivor to leave a relationship is something that needs to be seriously considered. The DWP should explore making split payments more routine, if not the default.

## 8. Administrative standards and the accuracy of payments

Our findings have shown that the current system is also suffering under the strain of basic administrative errors and misinformation.

Our helpline reports that people are frequently getting in touch because the DWP and Jobcentres are giving conflicting information on what benefit they need to claim, or are not giving the clarity needed to understand the new system:

- *'Universal Credit tell me different every time I ring';*
- *'UC don't explain this situation well'.*

Payment errors are also commonplace:

- *'in the 14 months of claiming I've only been paid correctly and on time twice';*
- *'Universal Credit have messed up my payment... hopefully just once';*
- *'Universal Credit keep messing up my payments and don't know how much I'll get they keep telling me not many students claim so they can't advise me'.*

Another claimant from the South West said: *'I'm claiming Universal Credit, but they haven't paid me this month. I literally have no money and now I'm in arrears with my rent.'*

One helpline adviser told us they have spoken to clients who have been told they would receive hundreds more a month than they eventually get. Payments are also made late, according to some callers.

It is important that administrative and payment errors are rectified prior to the commencement of managed migration. The current lack of automation and falling back on manual processes and intervention increases the risk of error.

An assessment of the adequacy of resourcing within the DWP should be made. This should include an assessment of the capacity of work coaches to deal with vulnerable individuals

in terms of both skills and time pressures. Any evaluation of DWP capability should also assess the readiness of automation within the Universal Credit system. In particular, problems with automatic identity verification need to be resolved. Additionally the current manual application of exemptions to deductions for non-dependants from housing costs, when the claimant or non-dependent is on PIP, is causing many errors due to it having to be applied manually each month.

## Recommendations

1. To ensure no one drops out of the system legacy benefit claims should actually be migrated to Universal Credit, rather than only inviting people to make a claim. This is especially important for vulnerable groups.
2. Or a backstop should be applied where legacy benefits are not terminated until a Universal Credit claim has been made.
3. If neither recommendation 1 or 2 is adopted then the Secretary of State should have a duty to ascertain why a Universal Credit claim was not made by someone who failed to meet their deadline day.
4. Managed migration should be postponed and natural migration suspended until the following criteria have been met:
  - Universal Support provision has been found to be adequate;
  - Adequate processes and criteria have been designed to identify vulnerable individuals in need of additional support and provide this support;
  - Transitional protection is bolstered to ensure it is based on need, extended to natural migrants and available despite failure to meet deadline or initially making an unsuccessful claim;
  - Safeguards and flexibilities are but in place to ensure transitional protection is not arbitrarily eroded when it is clear it is still needed, such as in the case of domestic abuse survivors or someone who has found potentially short-term insecure work;
  - Payment mechanisms and processes have been improved: single household payment are normalised, timings are made more flexible and accommodating of claimants lives, the 5 week wait is reduced, errors are significantly reduced, and processes are automated where possible; and
  - All existing reviews and improvements have been fully implemented.
5. Severe Disability Premium is reinstated in Universal Credit rather than only being a transitional element.