



The Centre for
Social Justice

Universal Credit - Update

Centre for Social Justice

September 2019

Introduction

As principle architects of Universal Credit – first conceived in our 2009 report [Dynamic Benefits](#) –we constantly analyse DWP data, collect third party analysis and speak with frontline charities who represent the most vulnerable in society, as well as front line staff at Jobcentres, to get their view of how Universal Credit is being received on the ground. This briefing offers an update on how Universal Credit is being received by claimants, how it is helping to save the Government money, helping to encourage the long-term unemployed back in to work, and reducing the risk of many people becoming trapped in a life on benefits.

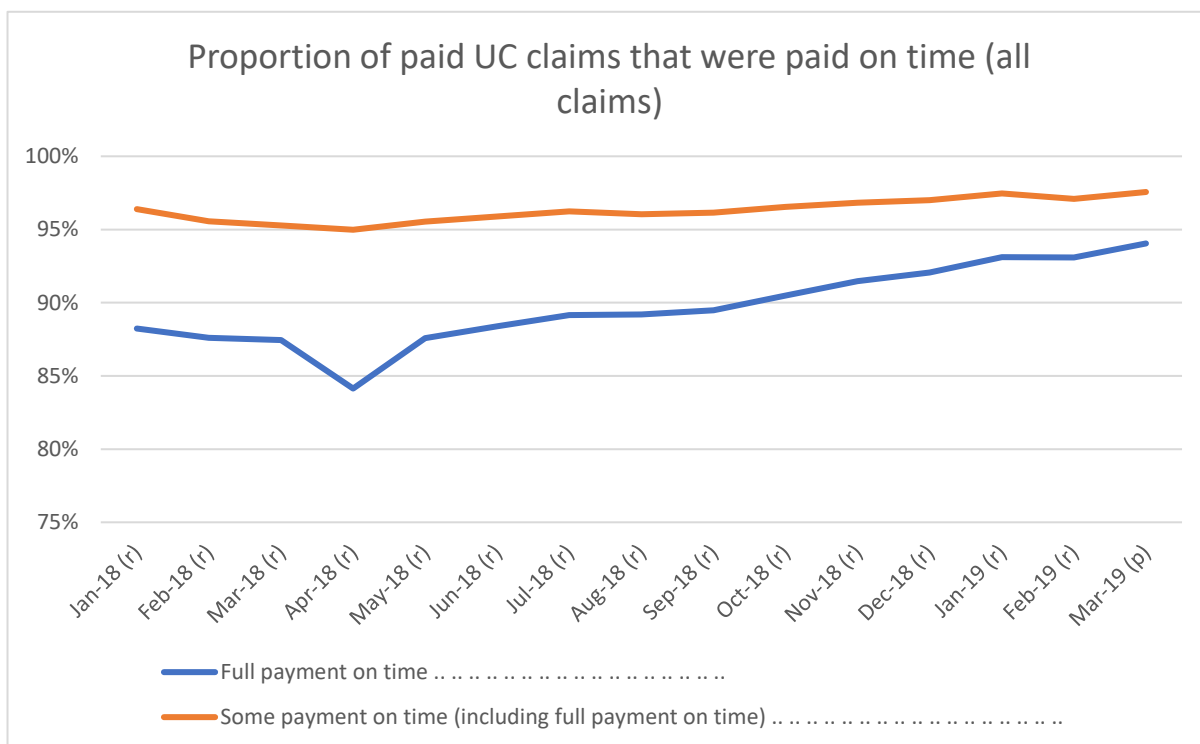
Universal Credit – The Facts

Overview

- 2.3 million people now claim Universal Credit (UC). 760,000 (33 per cent) UC claimants are in employment.
- 55 per cent of UC claimants are women.
- 57 per cent of UC claimants are single and without dependents, 30 per cent are single with a dependent, and 10 per cent are in a couple and with a dependent.
- The average UC claim was £670 per month. A single person household with no child dependants received the least amount of Universal Credit on average (£460 per month), while couples with child dependant received the most on average (£950 per month)
- Around 1.1 million households that received a payment of Universal Credit in May 2019 were entitled to support for housing. This is 63 per cent of all households in payment. 1 in 5 housing benefit claims (through UC) are paid directly to landlords.

Universal Credit late payments

- 94 per cent of all UC payments are made in full on time and 98 per cent of UC payments are made on time. This is a significant increase in just one year.



Universal Credit client satisfaction

- DWP survey data shows that there is an 80 per cent approval rating from claimants, complaints are running at 0.04% of the caseload. **This is below the level of complaints made about JSA.**

- DWP stats also show that 98 per cent of people claim successfully on-line and maintain their claims.
- Research group Bright Blue recently released evidence that showed the majority of UC claimants found registering and managing their benefit claim ‘straightforward and positive’ (see below)¹.

Helping Hand (Bright Blue, March 2019)

Centrist think tank Bright Blue released a report in early 2019 that used survey results and focus group discussion results to help get a better understanding of how Universal Credit was working for claimants. The report was balanced and criticised UC on a number of issues. However, below there are some extracts of what many of their respondents said about claiming online:

- “Did the application online, which took about fifteen to twenty minutes. I got a text... three days later saying bring your evidence in, and it was done.” *Male, 24, South, recently unemployed*
- “The online account is a blessing. I don’t have to call up for everything. I just do everything online on my phone. It’s so much easier.” *Male, 24, South, recently unemployed*
- “I think it’s fantastic, with the fact that you can just go on your phone, log into Universal Credit every day.” *Female, 48, London, unemployed and exempt from work*

The Bright Blue report also highlighted how UC claims were made easier by the opportunity to access an advance payment, “A clear majority of our interviewees were aware of the option to take ‘advance payments’ during the initial waiting period. In fact, most of our interviewees chose to take this option up. Interviewees expressed relief that these advance payments existed”. Research also found that:

- There was a clear majority preference for this single payment model that UC introduces
- There was widespread understanding of why government had shifted to a monthly payment model, with many interviewees saying ‘this would help people budget more effectively and prepare them for the world of work’.
- Most claimants understood how the taper rate would work and that as their earnings increased, their UC award would be gradually withdrawn.
- Claimants were noticeably very positive about their work coaches, using the language of friendship to describe their relationship with them.
- Many claimants with experience of legacy benefits spoke much more highly of the work coaches they had met under UC than their previous Jobcentre Plus advisers.

Impact on working hours and employment rates

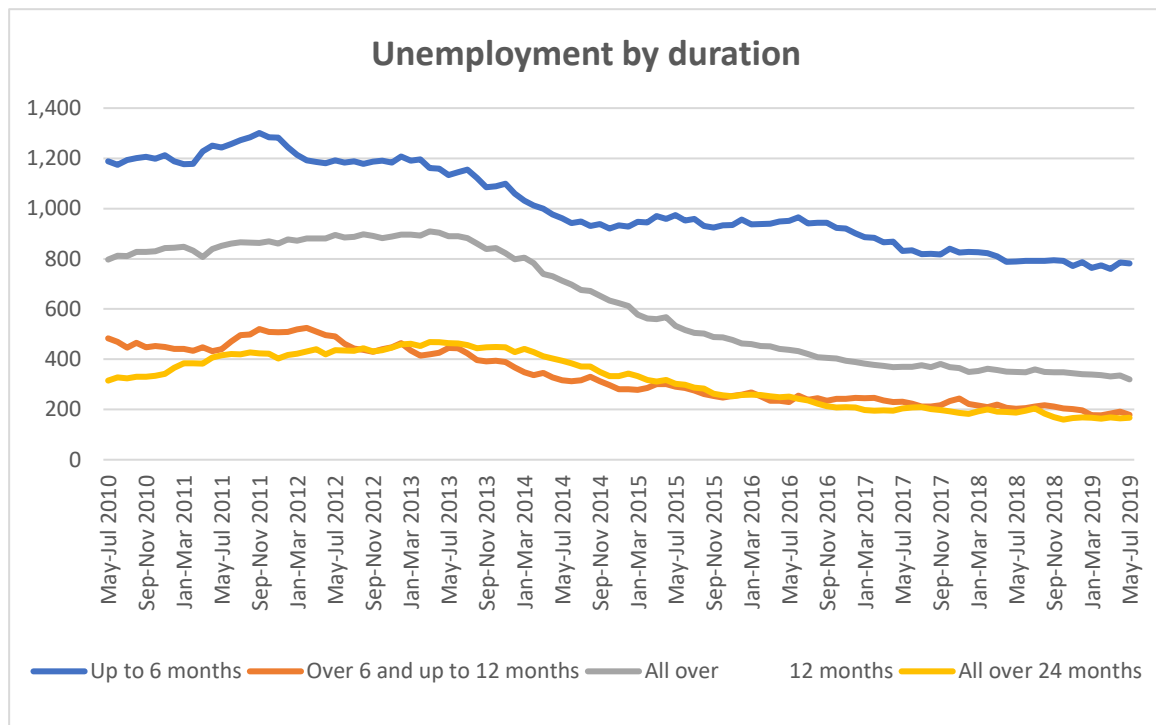
- Initial analysis in 2017 showed that **nearly two-thirds of UC claimants experience work within 6 months of claiming**, this is higher than were under JSA².
- DWP suggest that UC will help 200,000 more people in to work by the time it is fully rolled out.

¹ <http://brightblue.org.uk/wp-content/uploads/2019/03/Helping-hand.pdf>

²

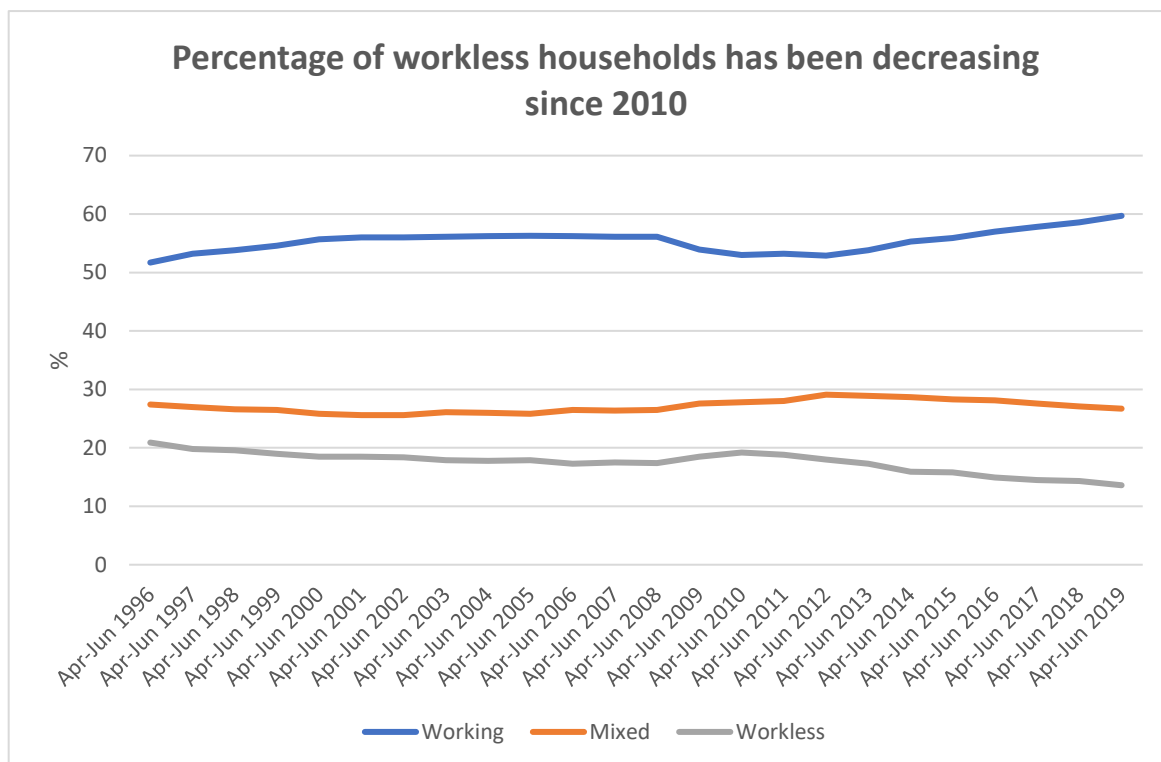
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/644541/universal-credit-employment-impact-analysis-update.pdf

- Early analysis is born out in the recent employment figures; unemployment has also fallen by almost 50 per cent. Most importantly this has been driven by significant reductions in long term unemployment. The number of people unemployed for less than 6 months has fallen by approximately a third, however the **number of people unemployed for over 12 months has fallen by nearly two-thirds and the number unemployed for more than two years has fallen by just less than a half.**



- **The percentage of workless households has also fallen by more than a third since 2010.** The importance of eradicating workless households is essential in trying to tackle child poverty. A child growing up in a workless household is more likely to perform poorly at school, less likely to work themselves, and end up involved in the criminal justice system.
- 3.7 million people of which 1.2 million are children (9.3%) currently live in workless households in the UK.
- The IFS found that *“severe poverty is more concentrated among workless households than working households”*³.

³ <https://www.ifs.org.uk/publications/14193>



Generosity under Universal Credit

- As we noted earlier the average UC claim was £670 per month while households with children are more likely to claim nearly £1000.
- UC was partially designed to help crackdown on gaming of the system. Under the old system someone earning over £65,000 could earn Working Tax Credits, and someone earning over £1000,000 a year could earn housing benefit.
- However, UC continues to offer some claimants the same level of generosity or more:
 - A single unemployment claimant can claim £428 a month under UC, marginally more than under the legacy system⁴.
 - A single parent with one dependent on minimum wage can take home £1533 under UC, £63 more than under the legacy system⁵.
 - If they were out of work, the same single parent would claim a lump sum of £1019 under UC, compared to having to claim 3 separate benefits under the legacy system for the same amount of money.
- Joseph Rowntree Foundation stated in March that 5.5 million working families will be better off under UC than the legacy system. 2.5 million more families will see a boost to their incomes that see a fall in their incomes under UC⁶.
- It is also the case that cuts to work allowances and changes to disability benefits mean some will earn less on UC.

⁴ <https://www.betteroffcalculator.co.uk/#/calculator/new/step1>

⁵ Ibid

⁶ <https://www.jrf.org.uk/report/where-next-universal-credit-and-tackling-poverty>

Poverty in the UK today

- UC is forecast by JRF to increase poverty for 200,000 out-of-work families but also reduce the number of people in poverty in working families by 300,000⁷.
- In the long term, the huge benefits of helping to reduce unemployment and economic inactivity will contribute to reducing poverty in the UK. **The Social Metrics Commission found that the poverty rate for people living in families where all adults work full time is just 10 per cent, compared to 58 per cent where all adults work part time and 70 per cent in workless families**⁸.
- The use of poverty figures is often confusing, and the use of the relative poverty measure can produce counterintuitive results (a fall in the median income can lead to a reduction in relative poverty, and visa versa).
- However, the IFS 2019 report on living standards, poverty and inequality in the UK carried with it detailed analysis on material deprivation which is useful for measuring 'expenditure poverty'. The IFS found that ***"Rates of material deprivation in 2017–18 were a fifth lower than in 2010–11. This decline is seen across all items, including those that seem most indicative of severe poverty (such as keeping the home warm and keeping up with bills). Declines in material deprivation were seen across the income distribution"***⁹.

⁷ <https://www.jrf.org.uk/report/where-next-universal-credit-and-tackling-poverty>

⁸ <https://socialmetricscommission.org.uk/new-report-on-poverty-from-independent-commission-highlights-scale-of-challenge-facing-new-prime-minister/>

⁹ <https://www.ifs.org.uk/publications/14193>

Conclusion

Recent reports suggest the Labour Party is considering scrapping UC. Scrapping UC is short sighted. Firstly, the evidence shows that it is a vast improvement compared to the old system of benefits. It is simpler to claim, encourages people to find work, and has helped reduce both unemployment and welfare dependency. We should never forget the system that it replaced, where a claimant could claim up to 21 different working age benefits and would have to reclaim the moment they found work. A single parent could more than double their net income if they moved to working for 16 rather than 15 hours a week – but if they worked for 27 hours a week rather than 26, their income would actually fall. A single streamlined system means that the marginal tax rates of up to 100 per cent under the old system are now reduced to 63 per cent, meaning claimants keep more of their money, the more they earn.

It is worth pointing out that both the French and Finnish have recently shown an interest in copying the UC model. UC can undoubtedly improve, we have advocated for a lower taper rate, the reintroduction of work allowances and more support for claimants in the form of Universal Support service.

Almost as concerning as opposition to UC is advocacy for a Universal Basic Income - an unaffordable entitlement for all people, regardless of their income, with none of the built-in incentives to encourage work. If the Labour Party scrap UC, it would be a terrible loss for the many millions of aspirational people in the UK who were previously stuck in a social security system that trapped them out of work and on welfare.