

**Universal credit:
assessment, claims and payment -
in principle and in practice**

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Outline

- **Introduction:** research and policy involvement
- Will discuss **concerns about universal credit** – especially:
- **Assessment:** monthly approach, conditionality in/out of work, impact of earnings
- **Claiming:** ‘digital by default’, joint claims
- **Payment:** direct payment of housing element, monthly payment, payment for couples
- **Concluding comments:** importance of learning from **qualitative research** about low-income families’ lives and **investigation of claimant experience** (in same way that tax credits and other policy changes would also have benefited)

Introduction

- **My work on universal credit is based on: relevant research:**
Within Household Inequalities and Public Policy (ESRC-funded Gender Equality Network - www.genet.ac.uk) with Dr Sirin Sung:
 - qualitative interviews with men and women in **30 low-/moderate-income couples** in GB, exploring **how couples dealt with money** (eg **individual/joint accounts, money management, financial decision-making**) but also paid and unpaid work etc.
- + **policy involvement** for Women's Budget Group www.wbg.org.uk
- (+ work with local advice centre and long-term interest in benefits)

Assessment: monthly approach

- **Not discussed** during parliamentary debates
- Calendar monthly is a **radical departure** (eg there is no daily UC rate; and no entitlement for under a month)
- Monthly basis very **significant if on low income**
- **Whole month approach** to changes of circumstances (eg in household make-up): in effect only 12 days per year matter, as they determine monthly UC total
- ‘Rough justice’ - some benefit, some lose – with **estimated £50m cost** (due to behaviour change?)
- UC payment in arrears - but whole month approach **looks forward** to what is needed over next month

- Change (eg birth of baby, departure of older teenage son/daughter) is deemed to **apply for whole month**
- Proposal aims to **avoid under/over-payments?**
- But UC will have **less close relationship to circumstances** than now, in what may seem an arbitrary way; and mix of in arrears/in advance may cause **confusion** and mean UC payment is **less easy to understand** (but claimants are meant to set up direct debits etc.)
- Tax credits experience: many of those on low incomes have **frequent changes of circumstances**
- Qualitative research: **importance of security** to those on low incomes should not be under-estimated

Assessment:

conditionality in/out of work

- **No minimum hours** rule now to qualify for UC
- Instead, **conditionality for those in work** but below earnings threshold (double for couples)
- (What about short hours, high-paid jobs?)
- Conditionality extended to **many partners** if appropriate (JSA joint claims show gender awareness needed)
- Conditionality will be **relevant to whole of UC payment** – i.e. not just to equivalent of JSA (etc.) as now, but also to elements for children, housing etc.
- **Sanctions** are being tightened up at same time as conditionality becomes more significant in these ways

Assessment: impact of earnings

- Government believes it will be **easier for people to see impact of earnings on UC**, because of single payment & single taper rate
- **Not certain?** - work allowances, debts, whole month approach, two childcare systems? (and outside UC: local council tax support, passported benefits, and other means tests as well)
- But if it is clear – with immediate adjustment of UC amount - **'poverty trap' is more visible** than under tax credits? - what **impact on incentives?**

Claiming: 'digital by default'

- 'Digital by default' **scaled down?** Emphasis on options
- Some UC pilots councils report **50-60%** internet access
- Tax credits research (Sept 2013) showed majority of claimants preferred to **communicate by phone**
- Over ½ gave online as 1st/2nd choice; but those from **lower-income households and not in paid work** were significantly less likely to have and use home internet
- 1 in 3: unsafe to manage **financial information online**
- Tax credits **online claims stopped due to fraud** (ministers' main concerns about UC: identity fraud/cybercrime); NAO report says fraud checks currently being done manually
- Reports suggest you cannot currently **save claim and return** to complete it – important if not using computer at home

Joint claims for couples (heterosexual and same sex)

- **UC joint** claim/ownership/liability/responsibility
- (Builds on joint JSA claims/community charge liability)
- Hard to see how **digital joint claims** will work?
- DWP literature talked about 'you' as **(1) claimant**
- If **one partner refuses to sign** his/her claimant commitment, there is **no valid claim** to UC by couple
- But payment of UC is only **made to one account**
- **Both will be liable** for overpayment if split up? (and easier to chase the partner who remains in the home?)
- Preferable to claimant + dependant? But there are **other policy options** (cf J Ingold's report for DWP)

Payment: introduction

- **No appeal** about how benefit is paid – so it is important to get it right first time
- UC: **‘all eggs in one basket’**, no juggling possible – so it is important to get it right every time
- **Will be award notice; but no labelling** once elements reduced by taper? (maximum for each element only?)
- **Will be no direction of benefits** (e.g. as now, child tax credit + childcare element of WTC paid to ‘main carer’)
- **Short-term advances** of UC: must be serious risk to health or safety to get these (though one-off advance payments will be made to those on legacy benefits moving to UC)
- **Alternatives** to default payment arrangements will be available if agreed by DWP, but ideally for short term only

Housing benefit (HB) paid direct to social housing tenants

- **6 ‘demonstration projects’** experimenting with HB paid direct to social housing tenants (instead of ‘managed payments’ of HB to landlord, in part or in full, as now)
- **Evaluation** (6 months in): nearly ½ tenants in baseline survey had rent arrears and/or other debts; but ‘many ... displayed good money management skills and financial competence’
- **Implications for UC of evaluation findings?**
 - co-operation between social landlords and HB departments in demonstration projects – will this be as likely when DWP administers UC centrally?

- support to tenants has been labour-intensive; rent collection rates are lower than before; and in Oxford, of 1600 tenants, 1 in 4 have been switched back
- 'short budgeting cycles and compartmentalising different income sources ... important financial management strategies' for tenants; many were alarmed at idea of receiving all money at same time; and questions arose about appropriateness of direct debits for some tenants
- **Government now decided** to keep some off direct payment at first + trigger of 2 months' arrears to move others off (though still hopes for move to direct payments at some point)
- **Northern Ireland will not** have same arrangements

Monthly payment

- **Monthly UC payment** 7 days after end of month aiming to mimic work (full-time work?), promote budgeting + overcome poverty premium ('the poor pay more')
- There will be financial products and personal budgeting support for some who find monthly payment difficult, and **exceptions** if needed (in arrears - eg half UC payment withheld when others get whole amount 7 days after end of month)
- **Current benefit / tax credit payments:**
 - tax credits: claimants can choose (weekly / 4-weekly)
(with weekly payment chosen more by lower-income families)
 - most major income maintenance benefits: paid fortnightly (used to be weekly)
 - other benefits: paid at different intervals
- **Key questions:**
 - are wages usually paid monthly to those on low incomes?
 - do low-income families usually budget monthly or shorter term?
 - **what are implications of monthly payment and for whom?**

- **Payment of wages monthly?**

- $\frac{3}{4}$ paid monthly ; but $\frac{1}{2}$ on under £10,000/yr more frequently
- UC aims to encourage more people into 'mini-jobs'
- our research for Gender Equality Network: especially some men in (steady) manual work were still paid weekly
- many households have 2 wages and/or in work benefits/tax credits as well

- **Budgeting monthly or more often?**

- $\frac{2}{3}$ (according to DWP RR800, 2012) ran out of money before end of week/
month always/most of the time/more often than not/sometimes
- only $\frac{1}{10}$ (according to DWP RR800, 2012) said monthly payment would help -
but 42% said it would be harder (higher in all out of work groups)
- budgeting more frequently is a means of exercising responsibility & control
- monthly payment will help some (eg with monthly mortgage payments)

Monthly payment: what impact on families? (especially women)

- **Psychological boost** of frequent benefit payments and **pride** in managing tight budget can be some of few positives in life of poverty (Daly & Kelly, forthcoming)
- GeNet research: bills often on direct debits; **women often responsible for weekly/daily items**: *'I'm bills, she's food'* (not immutable)
- **Women more likely to manage budget** in low-income families (management not control, but often source of stress) - FACS (2010): social tenants lower % joint money management, higher % women
- Women are often **'shock absorbers' of poverty** (WBG 2006, Brown 2011)
- But RR800, 2012: budgeting chapter based only on **'main claimant'** (not on answers from both partners) in couples interviewed for this DWP research

Payment of UC to one partner/account in joint claims by couples

- Couples have to make **joint claim for UC** – but must **choose one account** for payment (or Secretary of State decides which account if agreement not reached by couple)
- **More significant** decision because payments for housing, children etc. are amalgamated, and only one payment is made per month
- **Exceptions:** splitting payment (or all to other partner), as now, for eg domestic abuse; but little information available on current splitting or on other possible reasons to split UC
- (After separation, **one partner continues** with UC claim, but with change of circumstances, whilst other has to make new UC claim; consequences may be very different)
- ‘Only 7% cohabiting, 2% married couples have **separate finances**’? (families with children only) – but issue is not managing money, but **who receives what income** and **what impact** that has

- **Issues not explored:** in research, splitting issue was collapsed into budgeting; 1 payment for couples confused with all eggs in 1 basket; user-centred design testing focused on claiming
- **Justifications for payment arrangements for couples on UC:**
 - **like wages?** (ie choose an account for payment) – but wages individual, not jointly owned/assessed; + many have 2 wages
 - ***'you can't affect how families deal with their money'*** - but research shows who gets income can influence how it's used
 - ***'joint accounts mean it doesn't matter who income goes to'*** but research shows though joint accounts are symbols of marriage/trust/togetherness, they do not always guarantee equal access
- UC must be flexible enough to **work for all kinds of families**

Risks of payment arrangements?

- **Risk to smooth UC introduction** of monthly payment norm – many labour-intensive discretionary decisions on alternative arrangements; or limiting risks more applications for advances?
- **Risks of 1 payment to couples?** (decisions on which account UC will be paid to as yet unclear – ie how many will choose man / woman / to joint account) but possible:
 - greater opportunities for financial/economic abuse
 - one partner may not gain/practise financial capability
 - relationships may be less equal
- **Risk to committed coupledom?** if all UC has to be paid to one partner/account (especially relevant in new relationships, with couples starting to live together)
- Combining benefits is key to design, paying to 1 account is not – WBG suggested couples should be able to **choose to split UC payment between them** instead

Concluding comments

- Note that **devolved administrations** sometimes have different perspectives from coalition government's on issues raised
- Our research (and others') reveals that **money is not neutral** (as may seem in economic modelling), but has **social meanings**; and that labelling, recipient, and frequency of payment can affect how it is valued/used and who benefits
- UC aims include bringing about deliberate and ambitious **cultural change** (eg claimants taking more responsibility for budgeting their finances, on monthly basis)
- UC **designed for majority**, with few exceptions where needed
- (Also **administrative imperative** to save - mass means testing)

- Government has learned over time - ie **scale of need for alternatives within UC** has been realised (not just a small minority, or transitional issue); but it will be labour-intensive to trigger/support/monitor/redirect to mainstream
- Lesson is that learning from **qualitative research** on low-income families' lives and **investigation of real claimant experience** is essential
- Same applies to all governments (eg tax credits)