



The 'Universal Credit' reforms in the UK

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What is Universal Credit?

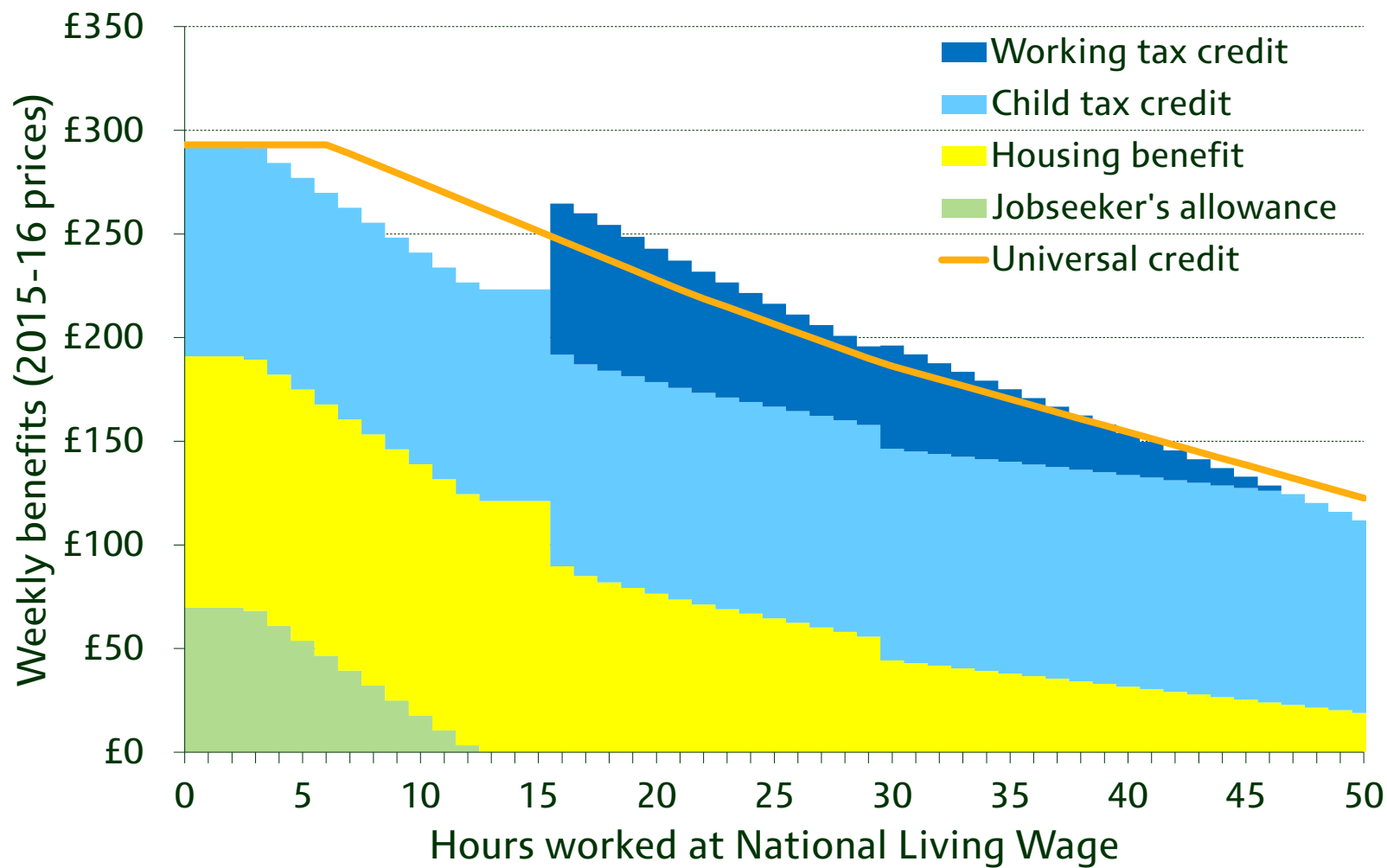
- A state transfer for working-age households
 - Means-tested (eligibility depends on having low income and assets)
- It is (very) gradually replacing 6 different means-tested payments
 - Support being replaced include jobseekers' benefits, support for housing costs, support for children, and in-work tax credits
 - This is the vast majority of cash transfers for working-age households
 - 7 million households are entitled to at least one of the 'legacy' benefits being replaced

Why is it being introduced?

- Most common justifications are to “make work pay” and “simplify the system”
- Some very sound principles behind the integration
 - Legacy system is the product of history of decisions to layer new strands of support on top of what came before
 - This causes arbitrary overlaps between different parts of system and makes it complicated to understand
 - Multiple means tests operating simultaneously → some very weak work incentives and lots of administration
 - People have to stop claiming one benefit and start claiming another when their circumstances change

Means-tested benefits: legacy system and UC

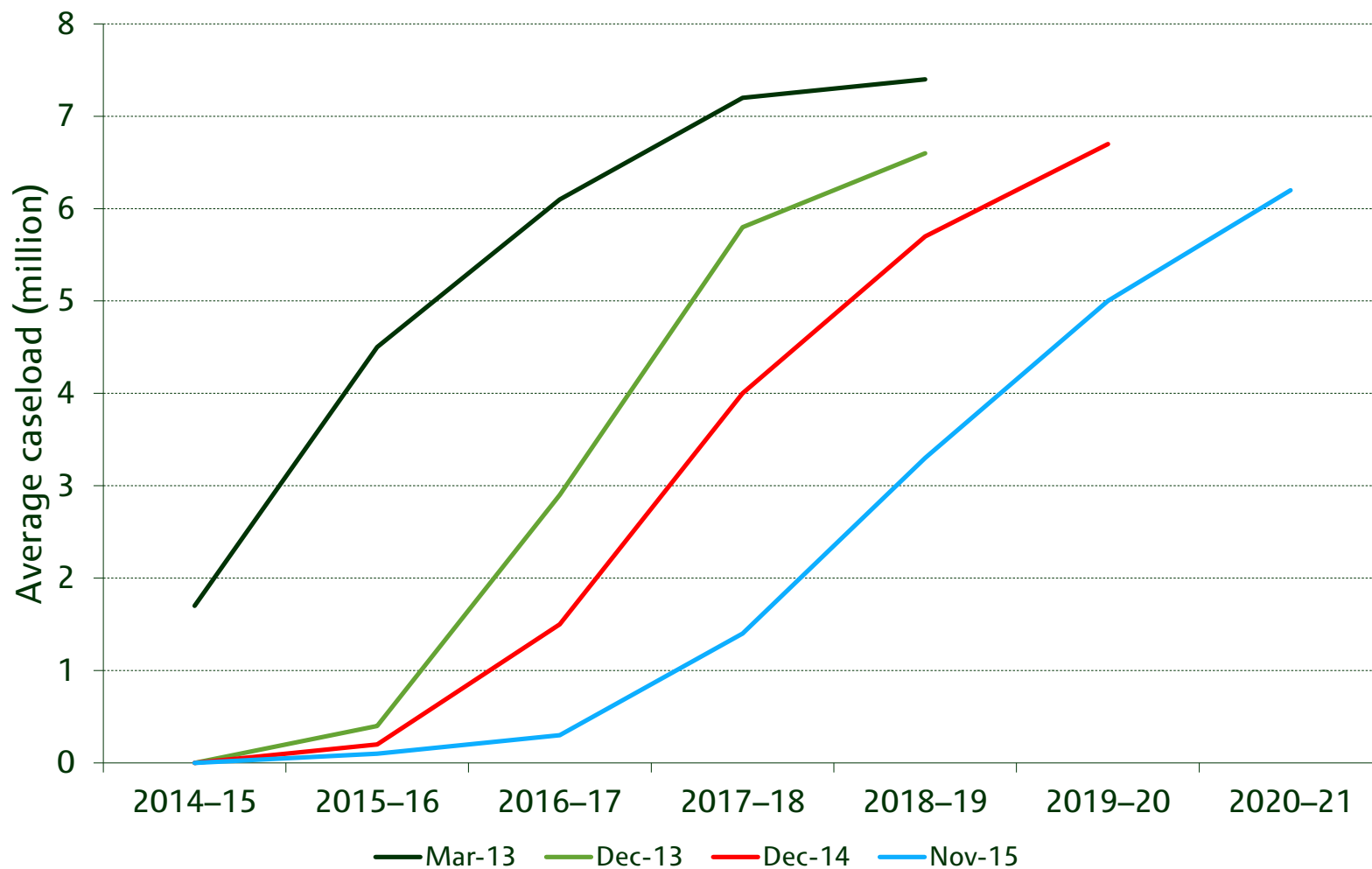
Example single parent with two children



Implementation has proven extremely complex

- Changes to IT systems have caused big problems
 - Integrating systems previously held by different government departments
 - Also trying to move to “real-time earnings information” (a separate choice which was tied to UC but didn’t have to be)
- Cost of implementation now estimated at £15.8bn (c. 1% of GDP)
- Government started rolling out UC in 2013 in particular areas for new claimants with relatively simple circumstances
- Timetable for roll-out repeatedly pushed back: completion pushed back from 2017 to (currently) 2021
- Initial timetable now accepted as far too ambitious

Changing plans for UC roll-out



Other issues

- Many ways in which existing benefits differed from each other in details of how they worked
 - Who they are paid to: which member of the family, or (in case of housing benefit) the landlord
 - How frequently they are paid: weekly or monthly
 - Whether entitlement re-assessed each week, month or year
 - How quickly they are withdrawn when incomes rise
- Some of these differences were arbitrary; others were because different benefits were attempting to do slightly different things
- Integration has forced government to make some difficult choices in standardising these rules
 - e.g. some claimants that used to be paid weekly now paid monthly