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?
- ¾ paid monthly; but 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?
- 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 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)