The ‘Universal Credit’ reforms in the UK

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Presentation at Moscow Financial Forum
23rd September 2016
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

Hours worked at National Living Wage
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

Average caseload (million)

- Mar-13
- Dec-13
- Dec-14
- Nov-15

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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