

## **SERTUC briefing on Universal Credit**

Universal Credit is a new single 'benefit' payment for people who are unemployed or working on a low income. It will affect approximately eight million claims, totalling 19 million people.

It is being introduced in the context of cuts to welfare benefits, such as Housing Benefit, the benefits cap, the one per cent 'below inflation' up-rating of benefit levels, high unemployment and the incessant stigmatisation of recipients of welfare benefits, both unwaged and waged, with the prominent rhetoric of 'scroungers and skivers'.

Universal credit will replace six means-tested [benefits](#) and [tax credits](#). These are:

- income-based Jobseeker's Allowance
- income-related Employment and Support Allowance
- Income Support
- Child Tax Credits
- Working Tax Credits
- Housing Benefit

In parallel to the introduction of Universal Credit:

- the national system of Council Tax Benefit will be abolished, and it will be replaced by local schemes designed by individual councils, from April 2013
- Disability Living Allowance from age 16 to State pension age (varying depending on gender and current age) will be replaced by Personal Independence Payments
- Child Benefit became means tested in January 2013
- Pension Credit will be amended from October 2014 to include help with eligible rent and dependent children

- The system of Social Fund crisis loans is being reformed and it will be delivered locally by Local Authorities, from April 2013

The Universal Credit system supposedly aims to:

- improve work incentives, by permitting those who are unemployed, but find some work occasionally, to know how much of the of the money they earn that they can keep, hence incentivising work
- smooth the transitions into and out of work
- simplify the system, making it easier for people to understand, and easier and cheaper for staff to administer
- reduce in-work poverty
- cut back on fraud and error
- cut the total cost of working age benefits, through time

So instead of going to the local council to claim housing benefit, calling at Jobcentre Plus for jobseeker's allowance, and then claiming tax credits from Revenue and Customs, a claimant will instead make one claim for universal credit.

It will be launched in 2013 and the main differences between Universal Credit and the current welfare system are:

- Universal Credit will be available to people who are in work and on a low income, as well as to those who are out of work
- most people will apply online and manage their claim through an online account
- people on low incomes who move in and out of work, will get ongoing support
- most claimants on low incomes will still be paid Universal Credit when they first start a new job or increase their part-time hours
- claimants will receive just one monthly payment, paid into a bank account in the same way as a monthly salary
- support with housing costs will go direct to the claimant as part of their monthly payment, not to the landlord

#### **April 2013 – launch of Universal Credit pathfinder experiment**

In April 2013, DWP, with HMRC and local authorities, will introduce Universal Credit to claimants within certain areas of the North-West of England. Universal Credit will go live

across the rest of the country later in October 2013.

### **October 2013 – national launch of Universal Credit**

New claimants: They will be able to make claims for Universal Credit from October 2013, while claims for existing benefits and credits will be gradually phased out. From April 2014, all new claims will be for Universal Credit.

Existing claimants: They will move onto Universal Credit in line with a phased approach that is intended to be complete by the end of 2017.

### **There are some positive aspects of Universal Credit**

The TUC is able to support some elements of Universal Credit. Things that the TUC and campaigners for fair and effective working age benefits might welcome are:

- The simplification of numerous benefits
- It could be more sensitive to the needs of those who are frequently in and out of work
- Support for those re-entering employment is to be welcomed
- There will be a single disregard and taper, which is the rate than claimants lose benefit if they earn some money. Presently, different benefits have different disregards and tapers
- The amount of funding committed to Universal Credit exceeds the budget for the existing benefits that will be phased out, at 2013 rates. There will be winners in this reform

But it is not the central principles of Universal Credit that is the source of concern, it is the implementation and the context that is problematic.

### **Issues for Concern**

- There is supposed to be a 'no losers pledge' but there will be losers, notably disabled claimants, couples with two earners, single mothers and those relying on child-care subsidy. First, the real test is to compare total benefits at 2010 levels up-rated by inflation to the Universal Credit rates. An analysis by the Chartered Institute of Housing asserts that 400,000 of the lowest earning working households, earning less than £247 per week, will be worse off under Universal Credit by 2015.

Sam Lister, Head of Policy said "All those on minimum wage and officially in poverty lose out. Also all lone parents – it does not matter what they earn. Lone parents across the piece lose out under the current form of universal credit". Secondly, there are anomalies. Most families with two children and a single earner who make less than the living wage will be worse off under universal credit, while couples with three children will be worse off if their earned income is less than £300 a week [source IoH]. As such it is estimated the number of children living in poverty will increase by 100,000 due to the implementation of Universal Credit [estimates by Child Poverty Action Group and the Institute for Financial studies are that one million more children will live in households officially regarded as poor resulting from the governments cuts programme].

<http://www.guardian.co.uk/society/2013/jan/17/benefits-squeeze-200000-children-poverty?INTCMP=SRCH>

- The monthly payment system is predicted to force some low income and vulnerable families into debt, and those that do not have a bank account might have to resort to expensive pay day loans and 'un-licensed loan sharks or lenders'. Payments are presently every two weeks.
- There will be a very strong assumption that people will apply and manage their claim online. The target is that 90 per cent of new claims will be made online, with only those with 'special need' making a claim in person. This ignores people's preferences, and the impact of homelessness and library closures on access to the internet.
- This programme is dependent on a massive government procured IT project, which are notorious for failure, and it uses 'real time information' for people's employment records. In a test in November 2012 the system failed to match claims to HMRC records of claimants to their employer in more than 25 per cent of cases; that was more than 500,000 claims. Indeed, in an answer to Fiona Twycross AM, Boris Johnson, Mayor of London, said in December "I would be misleading you if I said that we can iron the thing out here and now and make sure that nobody suffers".  
<http://mqt.london.gov.uk/mqt/public/question.do?id=43071>
- Claimant conditionality is extended to the employed. Anyone receiving in-work benefits, such as child care support, will have a target income to reach, which is calculated by a specified number of hours multiplied by the national minimum wage. As such, if a claimant earns

less than this target in a job with a higher hourly rate but too few hours, they can be instructed to take a job with more hours at NMW if the earnings are greater, they will be liable to a Universal Credit benefit sanction. Such 'in work conditionality' is a hostile innovation. The constraints of child-care arrangements do provide some defence against this sanction. This will potentially affect one million workers.

- Responsibility for crisis loans will be transferred to local authorities, with less funding available. Local authorities are typically not ready for this, and will typically outsource the task.
- The present maximum benefit sanction is suspension of benefit for six months, this is being extended to three years.
- Couples and families can claim in one name only. Empirical evidence is that when men are responsible for making benefit claims, there are frequent and serious instances of some of the benefit not being used to provide for the welfare of women and children, as needed.
- The Housing Benefit element for support for rents will be paid to claimants rather than the landlord. There are concerns that these considerable sums will not always be transferred, leading to more instances of homelessness for families, and that Social Landlords will lose secure income streams that are used to lever debt to fund investment in new low cost housing.
- The abolition of Council Tax Benefit: Only 90 per cent of the budget for CTB is being transferred to Local Authorities and each is tasked with developing its own scheme. Hence, this is not a simplification, and it will be inevitable the level of relief for some or many will be cut.

### **To note**

40 per cent of those administering UC will themselves be eligible for UC, because of low pay in the Civil Service.

PCS and UNITE are starting a Universal Credit campaign. PCS held a briefing 11 December 2012, and has invited other unions and campaign groups to join the campaign. The launch will be in East London in March. The aims of the campaign are to defend members' interests and to defend the principles of the welfare state.

The joint campaign will express five key demands. In draft, they are:

1. UC should be up-rated each year at least in line with the average waged income. [This will be amended, perhaps the up-rating might be the rate of increase in median full-time wage or RPI, whichever is the higher.]
2. UC claimants should have the choice of local, face-to-face service as well as telephone or internet services delivering UC.
3. UC claimants should be allowed to choose to receive UC more frequently than monthly and to choose whether their housing costs are paid to themselves, or directly to their landlord
4. Funding for the replacement for Social Fund crisis loans and community care grants should be ring-fenced with provision subject to nationally set policy.
5. There should be no conditionality for any UC claimant who is in work and the current conditionality regime for out of work claimants must be radically redrawn.

The national TUC will be launching an on-line briefing for reps. This e-note training will take 1.5 hours to complete. The national TUC will shortly publish an analysis of the proposals for the design and implementation of UC.

SERTUC

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<http://sertucresources.wordpress.com>