

# 1 20 things the coalition may not tell you about Universal Credit

The Universal Credit scheme was officially launched on 29 April 2013 at the Job Centre in Ashton under Lyne. Universal credit will merge several benefits and tax credits into one monthly payout.

Government ministers are keen to say that three million people will gain, they forget to say that their own impact assessment also says 2.8 million people will lose. They also conveniently forget to mention the cuts that have taken place before Universal Credit starts – cuts to housing benefit, the bedroom tax, cuts to working tax credit and child tax credit, disability benefits such as Disability Living Allowance and the replacement of council tax benefit with local schemes that often involve people losing £200 a year.

The introduction of Universal Credit will be accompanied by the abolition of the severe disability premium – worth £59.50 a week. The disabled child and severely disabled child elements of Child Tax Credit are replaced with additional amounts for a disabled child but the amounts are lower. Inclusion London said in September 2012 “The benefit will drop from £57 a week under Child Tax Credit, to £28 under Disability Additions, affecting about 100,000 disabled children.”

<http://www.inclusionlondon.co.uk/disabled-people-will-lose-out-when-universal-credit-introduced>

## 1. The Pathfinder is only for the easiest cases

The Pathfinder at Ashton under Lyne is only dealing with new single out of work claimants with or without housing costs. If the claimant has a partner, or children or a mortgage they are not starting on Universal Credit.

Once a claimant is in receipt of Universal Credit they will remain on Universal Credit even if their circumstances change, for instance if they gain a partner or children, or move away from the Pathfinder area.

The scope of the pathfinder is very limited. Only 300 claims per month are expected. These will only be the most straightforward types of claims, excluding any where there are children, partners or mortgages. The pathfinder will be supported by staff in Bolton and

Glasgow service centres. (Source: *Public and Commercial Services Union*)

[http://www.pcs.org.uk/en/department\\_for\\_work\\_and\\_pensions\\_group/dwp-news.cfm/id/A93B878A-D8ED-46E4-9816380F1624E452](http://www.pcs.org.uk/en/department_for_work_and_pensions_group/dwp-news.cfm/id/A93B878A-D8ED-46E4-9816380F1624E452)

## 2. It soon gets more complicated and others are affected

Once someone is in receipt of Universal Credit they stay on Universal Credit even if their circumstances change, for instance if they gain a partner or children, or move away from the Pathfinder area.

If they become part of a couple, living in the same household, then the joining partner (who the Department of Work and Pensions (DWP) call the “new

claimant partner”) will become part of that claim and the couple will receive one monthly payment. If the partner is receiving any of the benefits that Universal Credit is replacing then they will be terminated.

This means that other councils outside Ashton under Lyne (Tameside) will end a housing benefit claim if:

- someone claiming Housing Benefit moves in with a Universal Credit claimant
- someone on Universal Credit moves in with someone claiming Housing Benefit outside Tameside.

### **3. Millions of people have never used the internet but applications can only be made ‘online’**

Universal Credit claims can only start once an application has been made. There are no paper application forms and Universal Credit applications are made online. It takes 20 to 40 minutes to complete the online form. But according to the Office for National Statistics 7.6 million people have never used the internet and in some rural areas people who can use the internet do not have access to broadband.

**You’ll claim Universal Credit online** and then attend a face-to-face interview.

<https://www.gov.uk/apply-universal-credit>

The National Audit Office says that only 37% of people are happy to provide personal details on government websites

### **4. Low income households will be worse off**

Households that earn £247 or less a week will see a fall in real income in 2015 because of the changes to benefits, and lone parents will be worse off, whatever their circumstances, according to the *Chartered Institute of Housing*.

### **5. People who are under employed will lose out – ‘Strivers’ penalised for working harder**

The reforms are bad for low earners with a working partner who are in work and looking to work more, especially those who previously received Working Tax Credits. They will see more of their extra earnings clawed back by reducing their Universal Credit.

*According to an analysis by the Institute for Fiscal Studies (IFS), “Low earners who do have a working*

partner will tend to see their marginal effective tax rate (the fraction of a small rise in earnings lost to income tax, national insurance, withdrawn benefits or tax credits) increase, because Universal Credit will have a higher withdrawal rate than tax credits do.” (p4). The marginal tax rate for this group will be 76.2%, up from 73% as it is now.” As well as reducing incentives for second earners, so-called “strivers” will effectively be penalised for working harder.

### **6. People could be driven to using payday lenders (or worse still loan sharks) because they will usually get nothing for the first five weeks**

Unlike current benefits Universal Credit is paid monthly in arrears. It usually means that people will have no money coming in for the first five weeks after they have successfully made their claim.

**If you’re successful, you’ll usually get your first payment one month and seven days after you’ve made your claim.**

<https://www.gov.uk/apply-universal-credit>

### **7. Universal Credit is calculated on the basis of the household’s situation on the day of the assessment and the next calculation is done on the same day the following month**

Calculating Universal Credit this way means that changing circumstances may not be taken into account. For example a woman may be pregnant and the child may be born the day after the day of the assessment. The Universal Credit calculation will not take account of the fact that there is a new child until the next assessment date.

A family may have a child returning from a residential home. If the child is not present on the day of the assessment, the child is not included in the Universal Credit calculation.

### **8. Universal Credit is a monthly payment paid in arrears and there is no entitlement for under a month**

People do not realise when they come off Universal Credit they will not get a payment for the uncompleted month and that includes the housing element.

Someone may be 25 days into the next monthly period for Universal Credit when they take a job that takes them off Universal Credit. They will get nothing for those last 25 days and may not be able to pay their rent.

## 9. Monthly payments will make it harder for people to budget

**Research** suggests that a monthly payment will make it harder for claimants to budget. A Department for Work and Pensions (DWP) survey asked benefit and tax credit recipients the following question: "If payments of benefits and tax credits are made monthly, would you find it easier or harder to budget, or would it make no difference at all?" Four in 10 said it would be harder to budget after the changes and just one in 10 said it would be easier. Four in 10 said it would make no difference. The fear most commonly cited by claimants was that they would run out of money before the end of the month.

Half the workers earning under £10,000/year are **paid more frequently than once a month.**

## 10. People will not have the choice to be paid fortnightly

DWP say that some claimants will be paid fortnightly but it will be DWP who will decide who they are.

UNISON says the claimant should be given the choice of having fortnightly payments when they make their claim.

## 11. Could there be a cost to moving in with someone?

DWP say that 'it is a fundamental principle that Universal Credit is assessed and paid on a whole month basis'.

So if you are claiming housing benefit and you move in with someone on Universal Credit your housing benefit ceases, not from the date you move in but from **their** assessment date. So you might move in on the 28th but **their** assessment date is 4th so, legally your housing benefit has been stopped on the 4th. You still have to pay the rent but as far as the council is concerned it has overpaid your housing benefit.

The subsidy rules mean that the council cannot simply decide not to recover this overpayment, despite the fact that, if you had not moved in you would still be entitled to housing benefit and you could not

reasonably have been expected to realise that you were being overpaid.

DWP say they 'are looking to address' this 'through legislation' before October 2013 and that the rules will be amended. But this should have been sorted out beforehand. For the time being councils should record this as 'departmental error' and not pursue the overpayment.

## 12. Claimants could pay 'a fortune' in telephone costs

Making Universal Credit applications online-only when over four million people do not have access to a computer or cannot use one, only means that when people have problems they will rely on help via the telephone.

The Universal Credit helpline is an 0845 number (0845 600 0723) costing up to 10p a minute from a landline and 41p a minute from a mobile. Between April and October 2012 calls to 0845 numbers at DWP lasted 7 minutes and 42 seconds. So an average call from a mobile to a DWP 0845 number costs over £3.

A key feature of 0845 numbers is the "termination rate" of up to 2p a minute that is levied on each call. It goes to the company or organisation receiving the call and/or its telephone provider.

Universal Credit will rely on data supplied by HMRC, who in turn will rely on data submitted by employers. If the calculation is wrong, claimants won't know whether the fault lies with their employer for sending in the wrong information, with HMRC for passing on the wrong data to DWP or with DWP.

The National Audit Office (NAO) calculated that members of the public spent £33m on call charges while holding on HMRC phone lines in 2011-12, wasting time worth £103m to them. About 20 million calls were not picked up at all last year.

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm121121/debtext/121121-0004.htm>

<http://www.johnhealeymc.co.uk/news/November/mp-calls-debate-to-expose-government-s-rip-off-rate-phone-lines/>

<http://www.nao.org.uk/report/hm-revenue-customs-customer-service-performance/>

UNISON says the Universal Credit helpline should be free to callers from mobiles and landlines on an 0800 number.

### **13. The amount you receive in Universal Credit will depend on the data submitted to HMRC by the employer**

What happens if you lose out because your employer provides the wrong information or provides information at the wrong time has not been clarified?

The Universal Credit calculation will depend on the Real Time Information (RTI) PAYE data submitted by the employer. Employers might make mistakes in the information that is reported or not report the information at the right time. The claimant could end up not receiving the right amount of Universal Credit.

*“If there is an issue or error in income reporting, such as an employer not sending a report on time or providing incorrect data, this will impact on the payment of a claimant’s benefit”*

*Social Security Advisory Committee Occasional Paper number 10.”*

### **14. Universal Credit is not good for women**

The benefit changes will “reinforce the traditional male breadwinner model”, in the words of the *Women’s Budget Group*. The new universal credit will mean that whereas previously certain benefits like tax credits were paid directly to mothers, the universal credit will be claimed and owned by couples jointly and usually paid in full to one partner. Incentives for second earners (who are usually women) will also be weakened according to *independent evaluations*; and even more worryingly, the government believes *‘that any such risk of decreased work incentives for women in couples is justified.’*

### **15. People will not have the choice of split payments**

DWP say that some households will have split payments where part of the Universal Credit is paid to one person and part to another but it will be DWP who will decide who they are.

UNISON says that households should be given the choice of having split payments when they make their claim.

### **16. Council and housing association tenants are being denied the choice to have their rent paid direct to their landlord**

At the moment housing benefit for council and housing association tenants is paid direct to their landlord. It is efficient, cost effective and reduces rent arrears.

Under Universal Credit there is one payment which includes what was housing benefit. it will be paid to one person, who may not even be the tenant.

*Any help you get with your rent will be included with your Universal Credit payment and you’ll then pay your landlord yourself.*

<https://www.gov.uk/universal-credit/overview>

The proposal that council and housing association tenants should have to manage their rental payments, as opposed to the money going direct to their social landlord, is **overwhelmingly opposed by most social tenants**. 86% of social tenants believe “strongly” that it is better for housing benefit to be paid directly to the landlord.

Wakefield and District Housing Trust is ‘piloting’ these arrangements, where help with housing costs goes to the tenant not the landlord. One young woman with a five year old child had the money paid into her bank account only to find her creditors had taken it straight away and she could not pay her rent.

UNISON says that tenants should be given the choice of having their Universal Credit ‘housing element’ paid direct to their landlord, when they make their claim.

### **17. Rent arrears will ‘balloon’, housing services will be cut and rents will increase**

A few landlords have been trying out the idea of paying housing benefit to the tenant instead of the landlord. The evidence shows it leads to one thing – bigger rent arrears and financial holes in the landlord’s budget, which then means cuts to services or higher rents for tenants or both.

Landlords testing direct payment of benefit failed to collect 8% of rent on average in the first four months of the six pilot projects. Data released by the

Department for Work and Pensions showed arrears were around double the normal figure.

<http://www.insidehousing.co.uk/tenancies/direct-payment-pilots-report-increased-arrears/6525087.article>

At Wakefield and District Housing arrears increased from 2% to 11%, Bron Afon community housing in South Wales reported a 50% increase in arrears, while in Edinburgh, Oxford and Southwark there is around a 30% increases in arrears. Southwark for example are predicting that arrears will increase by £14m. *Source:* <http://www.bbc.co.uk/news/uk-21756567>

DWP now say that, until October 2013, landlords can refer cases where tenants are in arrears and that those who are over two months behind will be automatically switched to direct payment to the landlord. But if direct payment to the landlord had been in place at the start of the tenancy the landlord would not have two months arrears to recover.

## **18. Other members of a household may be affected if one member of the household refuses to sign a claimant commitment**

You will not eligible for Universal Credit unless you accept a 'claimant commitment' This will set out what you are expected to do, in preparing for work, looking for work or getting work that gives you 35 times the minimum wage (see below). It will also set out the consequences if you fail to do what it says in your claimant commitment. Because Universal Credit is a household benefit one person's actions may have implications for other members of the household.

## **19. DWP will be able to monitor the use of Universal Jobmatch, if someone allows DWP to have access to your Universal Jobmatch account**

The Department for Work and Pensions can require you to register for Universal Jobmatch.

When someone signs up to Universal Jobmatch, they will be encouraged to tick a box that gives DWP access to their account. DWP want access so they can monitor whether someone is using Universal Jobmatch to look for work and how long they spend doing so.

## **20. In the future employers may find that DWP is telling their part time employee that they have to take another job**

Although it won't happen straight away, conditionality is being extended to people in work. Under Universal Credit everyone has to sign a 'claimant commitment'. Under the Universal Credit regulations, people earning less than 35 times the minimum wage can be required to ask for extra hours, take extra jobs or take a different job. So someone working 20 hours a week on £7/hour (more than the minimum wage) could be forced to take a 35 hour a week job on the minimum wage.

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UNISON has produced a series of Welfare Reform briefs. Please see other briefs in this series for further details about specific changes being introduced through welfare reform: Universal Credit, Benefits Cap, Bedroom Tax and Disability Benefits. UNISON will be issuing further briefs and guidance on the impact of the changes to move some parts of social security to a system of localised discretionary welfare support and how further welfare reforms changes, yet to be introduced, will impact on in-work claimants in the workplace.