

WORK AND PENSIONS INQUIRY APRIL 2020

Universal Credit: the wait for a first payment

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Introduction

1. In 2014 the Social Security Advisory Committee (SSAC) sought views regarding extending benefit waiting days (from three days to seven days which has since been reduced to five days). There was considerable criticism of this policy change because as highlighted in Professor Etherington's submission (from research conducted at Middlesex University) that the policy would force people into debt which in turn would act as a barrier to obtaining work¹. Similarly, the Child Poverty Action Group (CPAG) argued that the impact of the delays will be to push claimants into deeper poverty as large proportion have few savings and vulnerable to destitution when making a benefit claim.²
2. This submission draws from the above work carried out for the SSAC submission and from recent research projects on welfare reform in the North of England conducted by Professor David Etherington and Professor Martin Jones between 2016- 2019. We have undertaken work on the implications of the Stoke-on-Trent Hardship Commission work on poverty in Stoke (concurrent), the impact of austerity and welfare reform in Greater Manchester (2017) and the role of welfare reform in relation to precarious work in Sheffield (concurrent).
3. The research essentially involved an evidence review drawing on a number of mixed-methods sources. Stage 1 involved a policy scoping (qualitative and quantitative sources) and literature review. In stage 2, narrative policy analysis and discourse analysis were undertaken alongside stakeholder mapping, in order to capture both the implementation of welfare policies, its impact on poverty as well as other public services. Semi-structured interviews were carried out with key actors (trade unions officials, workers, community activists, policymakers, practitioners, and stakeholders in general) in relation to the governance of the labour markets.

¹ <https://www.gov.uk/government/publications/social-security-jobseekers-allowance-and-employment-and-support-allowance-waiting-days-amendment-regulations-2014-ssac-report>

² CPAG (2014) SSAC consultation on extending waiting days: CPAG response <https://cpag.org.uk/sites/default/files/CPAG%20SSAC%20benefit%20waiting%20days%20consultation%20response.pdf>

4. At the time of submitting our response, it is evident that the delays in payments have not been resolved, and in fact are likely to get worse given that there is an extra 477,000 people are making UC claims (as at 26, March, 2020). Obviously, a cause for considerable concern as many people impacted by the Coronavirus crisis are being signposted to apply for UC. Delays will create a social crisis of substantial proportions. Even if delays are resolved, there are major gaps in support in the welfare system. Never before, and since the Second World War, have the gaps and inadequacies of the social safety net been exposed as a result of the current health and social crisis.
5. Even before the current coronavirus outbreak, the Joseph Rowntree Foundation (JRF) has estimated that in 2017 there were 1.5 million people experiencing destitution. They define destitution as People who have lacked two or more of six essentials over the past month, because they cannot afford them: Shelter (have slept rough for one or more nights), Food (have had fewer than two meals a day for two or more days), Heating their home (have been unable to do this for five or more days), Lighting their home (have been unable to do this for five or more days), Clothing and footwear (appropriate for weather) and basic toiletries (soap, shampoo, toothpaste, toothbrush), or had an income that was so low, and no savings, so that they would be likely to lack these essentials in the immediate future.³

Executive summary

6. As our submission argues,
 - Austerity drives benefit delays and the wider welfare reform agenda. There is no, nor ever was, any justification for benefit delays, especially in the context of the current Corona health crisis.
 - The delays cause hardship, have geographical impacts and also have major cost implications for public services who are involved in mitigating their impacts.
 - We propose measures to upscale the social safety net which include a major upgrading of benefits that meet minimum income standards,
 - There is an urgent need to invest considerable staff resources into the employment services including expanding personalised support along the lines of Work Choice, Health and Work Programmes
 - A new approach is required involving redesigning those services which genuinely involve key partners including trade unions and are more 'claimant centred.'

³ JRF (2018) *Destitution in the UK* <file:///C:/Users/dge2/Downloads/destitutionsummary2018.pdf>

What problems do claimants still experience during the 5 weeks wait?

7. The problems of delays featured heavily in responses to the SSAC consultation on benefit migration to Universal Credit in 2018 and the Disability Benefit Consortium (DBC) comments are extremely relevant when they state the delay is an “outrageous cost shunt from the Treasury to low income households. The worst thing about this policy it is a one-off cost saving a working capital movement to low paid workers, similar to large corporations paying suppliers late.”⁴ **It is important to emphasise that whilst the DWP target is to settle UC claims in full by five weeks from submission, in reality, many people in our study areas waited considerably longer than five weeks, usually due to system errors and delays in verifying information for each UC element.**

8. The *Stoke-on-Trent Hardship Commission study* found that the delays in benefits were having a negative impact on people’s incomes and wellbeing.⁵ For example, moving from Employment and Support Allowance to Universal Credit. Since it takes five weeks for Universal Credit to start, there is a period without income, when people have to take out an advance, which then needs to be paid back. There were reports of this leading to people having to live on less than the Universal Credit allowance because part of it is being used to pay back the 'advance' amount; or otherwise end up with rent and council tax arrears.

"I moved out of my parents and into semi-independent living. For about 8 weeks, I had no money at all. My benefits hadn't come through. Didn't even have money to spend on food or shampoo. It stressed me out and really affected how I was doing at college. I got really stressed out when I was going to meetings about my Universal Credit and they weren't listening to me." (Stoke-on-Trent Hardship Commission)

9. The key finding from the work of the Stoke Hardship Commission is that addressing delays cannot be undertaken in isolation in tackling other aspects of the welfare

⁴ Disability Benefit Consortium, (2018), SSAC consultation on Universal Credit (draft) (transitional provisions) (managed migration) amendment regulations 2018
Response by the Disability Benefits Consortium (DBC)
<https://disabilitybenefitsconsortium.wordpress.com/author/dbconsortium/>

⁵ <https://www.staffs.ac.uk/research/pdf/get-talking-hardship-report-2019.pdf>

system Other aspects of the welfare system that were identified as contributing to hardship included:

- a. benefit sanctions which cause a reduction in income.
- b. bedroom tax, which is a particular problem for single people on Universal Credit whose income may not cover the bedroom tax, for some people where Universal Credit was being used for debt repayments, for people having difficulty finding work and for others who were unable work due to ill health.
- c. the benefit freeze, reduction in benefits and the benefit cap. The rate for asylum seekers and refugees has been frozen for many years. Both the freeze and cap do not consider the rising costs of living.
- d. change in benefit rules for EU citizens who have been in the UK for less than five years.

10. Similarly, in our evidence review on the impact of austerity and welfare reform in *Greater Manchester*⁶ we found that poverty and deprivation were being driven by the roll out of Universal Credit and in particular benefit cuts and payment delays. For example, Manchester City Council found that benefit delays were having a major negative impact on their residents⁷

“Consequences of waiting for their first payment pushed many into debt, rent arrears and serious hardship, including going without food and utilities. However, few were offered alternative payment arrangements. Non-judgemental individually tailored advice and support by DWP staff was appreciated where this occurred, but this was not always apparent.” Manchester City Council

11. The roll out of UC is in its early days in Sheffield, but already there are concerns that the transfer to UC is having a negative impact on claimants’ incomes. One worker interviewed as part of the Sheffield Needs a Pay Rise (SNAP) Campaign⁸ was struggling to maintain a job and his UC claim.

⁶ Etherington, D. and Jones, M. (2017), *Devolution Austerity and Inclusive Growth in Greater Manchester*, Middlesex University/Staffordshire University, Available:

https://www.mdx.ac.uk/_data/assets/pdf_file/0030/368373/Greater-Manchester-Report.pdf?bustCache=92145287

⁷ Manchester City Council, (2019), *The Impact of Welfare Reform and Universal Credit on the Manchester Economy*, Manchester, Manchester City Council, Economy Scrutiny Committee – 6 March 2019, Available: <https://democracy.manchester.gov.uk/documents/s4998/The%20Impact%20of%20Welfare%20Reform%20and%20Universal%20Credit%20on%20the%20Manchester%20Economy.pdf>

⁸ Etherington, D., Jefferey, R., Thomas, P., Brooks, J., Beel, D., and Jones, M., (2018) *Forging an inclusive labour market - empowering workers and communities : an interim report on low pay and precarious work in Sheffield*, Sheffield, Sheffield Hallam University, Available: <http://shura.shu.ac.uk/21918/3/Jeffery%20Forging%20an%20inclusive%20labour%20market.pdf>

As part of his claimant commitment he is expected to undertake 35 hours per week jobsearch activity, though he has recently had this reduced to one hour due to severe mental health issues. Even so, life is a struggle for Harry. He has hardship loans deducted from his meagre UC allowance, in part due to the five-week lead-in time before his first payment, but also due to housing overpayments being reclaimed (Thomas et al (2020))

Estimating costs or savings to third parties

12. The displacement effects of benefit delays (i.e. resources required by other local, public, health and community services to manage and mitigate the adverse impacts of delays) are considerable which means that there is a potential cost rather than saving element to delays. So far in our research we have not been able to quantify the financial implication for other services on benefit delays although we recommend that this exercise is undertaken. However, we have been able to identify services which have been impacted by the adverse and negative aspects of UC for claimants.
13. Sheffield City Council and Sheffield CAB highlighted that front-line services are having to cope with the pressures brought about by the problems relating to benefit delays;

As UC is rolled out to larger numbers of claimants nationally, longer waiting times are being reported, with national Citizens Advice quoting average waiting times in some areas of around 12 weeks. Should this be replicated from November/December 2018 in Sheffield then this could place additional pressures on claimants, associated Council services e.g. customer services, housing rents, homelessness etc, and other organisations and services. is that rent arrears on average double for those tenants on UC

Geographical impacts of welfare reform and benefit delays

14. An important context to take into consideration is that the implementation of welfare reform and the wide range of benefit cuts involved has uneven geographical impacts. So, delays in benefits along with cuts to Universal Credit generally will be felt more severely in the areas where, because of deindustrialisation and structural economic problems there are a higher proportion of claimants in both long term unemployment, low paid jobs and precarious employment.

15. Research undertaken at the Sheffield Hallam University⁹ has identified three types of areas where there are a higher proportion of claimants. These include former industrial areas of North of England, Scotland, Wales and Midlands, a number of seaside towns experiencing high rates of deprivation, and some deprived London boroughs.

UC delays and impact on local government

16. There are profound geographical impacts of local authority cuts, with those in the more de-industrialised and disadvantaged regions where local authorities are more reliant on central government experiencing more disproportionate cuts¹⁰. For example, as a result of cumulative reductions of funding from central government, Manchester city council, the largest economy and source of employment within the city region, had to deliver a massive £339m of savings between 2011-12 and 2016-17, with a further £14m required in 2017-18 (Manchester city council, 2018, p 26). Despite these cuts and retrenchment, local authorities are, in terms of ‘their duty of care’ having to manage the impact of the UC migration process. In the table below, we outline some of the analysis of the roll-out of UC in Manchester, which also reveals the extent to which local authorities are required to absorb the cuts and delays in benefit payments.

Table 1: Summary of impact of Universal Credit on Manchester City Council ¹¹

Policy and service delivery	Actual and potential impact and local authority response
Delays in benefit payment, benefit cap	The city council’s Welfare Provision Scheme (WPS) provides support for vulnerable residents. As at the end of December 2018, WPS had seen an increase in spend of almost £50,000 when compared to the same point in 2018 and an increase in applications by more than 500.

⁹ Beatty C and Fothergill S (2016) The uneven impact of welfare reform: the financial losses to places and people, <https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/uneven-impact-welfare-reform.pdf>

¹⁰ Gray M and Barford A (2018) The depth of the cuts: the uneven geography of local government austerity *Cambridge Journal of Regions and Society*, 11, 541-563

¹¹ Source: Manchester City Council, (2016), *Cumulative Impact of Welfare Reforms*, Manchester: Manchester City Council. Manchester City Council, (2019), *The Impact of Welfare Reform and Universal Credit on the Manchester Economy*, Manchester, Manchester City Council, Economy Scrutiny Committee – 6 March 2019, Available: <https://democracy.manchester.gov.uk/documents/s4998/The%20Impact%20of%20Welfare%20Reform%20and%20Universal%20Credit%20on%20the%20Manchester%20Economy.pdf>

Alternative payments system	At present only DWP and registered housing providers can apply for an APA on behalf of a claimant. It is possible that some vulnerable clients will fall through the system, for example private sector tenants who do not disclose problems to their jobcentre work coach.
Housing and rent management	The loss of a private rented tenancy has recently become the prime reason for people being owed a statutory homelessness duty in Manchester.. In recent years there has been a significant increase in the number of households approaching the council for a homeless service because they have lost their private rented sector tenancy
Digitisation of claims and role of advice services	Increase in pressure on advice services. Since the first roll out of full service began in 2018 the Universal Assisted Digital Service has been able to help support over 2000 people in Manchester to make their initial claim. However, a further 2,100 people have had to seek additional help from Citizens Advice Manchester and its citywide advice partners with over 6000 issues related to UC.

UC delays and impact on health services

17. In their letter to the Secretary of State in 2019, Sheffield City Council itemised a number of issues in relation to the roll out of Universal Credit, which included the increase in demand for both advice services and mental health services. Given the current Corona virus, the health impacts of Universal Credit are a particular cause for concern.¹² Furthermore Sheffield City Council along with the DWP and NHS Trust has established a Partnership to ‘manage’ the implementation of UC. Partnership stakeholders are concerned that the Partnership exists to ‘firefight’ the negative impacts rather than develop a coherent and claimant friendly system.
18. With reference to health and social care the following impacts can be itemised which delays will exacerbate;¹³
- Increase in mental ill-health due to links between poverty and mental health and the additional challenges and uncertainty for some people on UC.
 - Reduction in income for some people with disabilities or health conditions, due for example to disability premiums paid as part of some legacy benefits not being replicated in UC.
 - Vulnerable substance misusers are likely to be particularly affected by the new UC system and benefit delays.

¹² <https://sheffieldnewsroom.co.uk/news/universal-credit/>

¹³

<https://www.sheffieldccg.nhs.uk/Downloads/About%20US/ACP/31%20October%202018/PAPER%20G%20ACP%20Universal%20Credit%20Briefing%20FINAL.pdf>

DWP Jobcentre plus service levels

19. We are extremely concerned about the capacity of the DWP and Jobcentre Plus services to deliver benefit decisions where a delay is avoided due to the reduced capacity in the system. In the timescale for migration across to Universal Credit there has been a significant number of new UC claims, and 'by the end of UC rollout, work coach caseloads are expected to increase significantly - from 85 claimants per work coach to 373 in 2024. For service centre staff, caseloads will increase from 154 claimants per case manager to 919'¹⁴ According to the Public and Commercial Services Union (PCS) the " DWP now employs over 30,000 fewer staff than in 2010 because of government job cuts. Many highly experienced, fully benefit-trained processors have been replaced by staff given a few weeks of training."¹⁵ The above figures relate to calculations prior to the Coronavirus crisis and as highlighted above the volume of applicants has significantly increased. Whilst JSA claims have fallen, the workload on Work Coaches has not because of the complex needs of many UC applicants.
20. This situation seems to be exacerbated by the closure of Jobcentres throughout the country, which is doubly alarming. In Sheffield, the closure of Eastern Avenue Jobcentre was widely criticized as the jobcentre was in a deprived area with wards containing higher than average numbers of people claiming out of work benefits. The area had already suffered from austerity and the closure of an important social service would exacerbate the problems of deprivation. Alternative locations offered to claimants were deemed inadequate. There would be overcrowding in one jobcentre and the other, located in the centre of Sheffield would involve increased travel time and transport costs for claimants. The trade union claimed that the changes breached ministerial guidelines as the closure involved claimants travelling an extra 20 minutes or three miles to a newly allocated jobcentre. Finally, the closure is seen as detrimental to staff and as the union argues that this has negative consequences for delivering an effective and efficient service to claimants.

Summary and recommendations

UC claims and suicides

21. There is now plenty of evidence that the UC process is having a severe impact on some claimant's mental health, which is inevitably exacerbated by delays in benefits and claimants being without any income whatsoever.¹⁶ This can contribute to the reported number of suicides of claimants. The National Audit Office (NAO)¹⁷ has called for a proper system of investigation on suicides, which we fully endorse.

¹⁴ TUC, 2018. *In work progression: TUC submission to the Work and Pensions Inquiry on Universal Credit*, London, TUC

¹⁵ <https://www.pcs.org.uk/campaigns/welfare-reform/universal-credit>

¹⁶ https://www.gateshead.gov.uk/media/10665/The-impact-of-the-roll-out-of-Universal-Credit-in-two-North-East-England-localities-a-qualitative-study-November-2018/pdf/Universal_Credit_Report_2018pdf.pdf?m=636778831081630000

¹⁷ NAO (2020)

Calculating the financial impact of benefit delays on public services

22. We propose that there is an audit carried out jointly by the Citizens Advice Bureau, Local Government Association and NHS England on the financial implications for other public services in managing the various issues arising through Universal Credit.

Raising the safety net

23. We argue that resolving the problems of delays cannot be undertaken in isolation with tackling the inadequacies of UC as a 'safety net.' Increasing the level of benefits throughout will have a positive impact in terms of providing a cushion in the event of benefit delays that may occur. With this respect we consider that benefit levels should be raised to meet Minimum Income Standards as calculated by the Joseph Rowntree Foundation (JRF).¹⁸ One way of assessing how benefits meet basic needs is to identify the minimum income that individuals and households require to acquire a 'socially acceptable' standard of living. The Minimum Income Standard (MIS) is calculated based on different baskets of goods and services required by different types of households.

Improving service delivery

- We recommend that initially the DWP restores the job cuts previously made to employment services and embarks on a major recruitment drive in order to meet the new demand.
- Offer non digital approaches to making an application including telephone and face to face
- **Expand the funding of advice services (including trade unions who represent workers claiming UC) so that all claimants have access to representation if required.**
- More resources for specialist support through for example expanding the Health and Work Programme and Work Choice which is resourced commensurate to addressing UC claimant needs. and moves towards a more partnership/social dialogue- based service delivery that effectively includes all stakeholders.
- More resources allocated to signposting to apprenticeships and in work training

¹⁸ Hirsch D (2019) *A Minimum Income Standard for the UK*, York, Joseph Rowntree Foundation
<https://www.jrf.org.uk/report/minimum-income-standard-uk-2019>