

Universal Credit: Rolling out a new benefits system

ED Hello and welcome to the first ever episode of the Commons Library Podcast. In this new podcast series our experts will give you an informed and impartial take on issues being discussed in Westminster and where you live. This is the first of six episodes in our new series, and from here on you can expect to hear about defence procurement, public spending, utilities prices, devolution in Northern Ireland and the UK private rented sector.

I'm Eleanor Davis and last week I spoke to Steven Kennedy, a researcher in the Social Policy section of the House of Commons Library. We discussed Universal Credit, and in particular looking at how far it's been rolled out, how the Department for Work and Pensions is dealing with the process of transferring people to the new system and recent legal challenges.

So, welcome to the podcast Steven.

SK Hello.

ED As a quick reminder, Universal Credit was first introduced in 2013 to replace the six legacy benefits, which included child tax credit, housing benefit and income support, for example. And this was with the view to streamline the benefit system and improve work incentives. It was supposed to be fully introduced by 2017; as yet this hasn't happened, there have been various delays. Could you give us an indication of where the programme has got to?

SK Well, it's true that under the original plans Universal Credit would have been fully in place by now, but the timetable has been pushed back several times, for various reasons, not least the reset of the entire programme back in early 2013 when DWP began developing

the digital service which we now know as the Full Service, which now underpins Universal Credit.

We've now got over a million households on Universal Credit, but that's still a long way short of the 7 million we expect will get UC when it's fully introduced. We did however reach quite an important milestone back in December 2018: the completion of the Full Service rollout. And what that means is in every part of the country, in every part of the United Kingdom, with very limited exceptions, it's now no longer possible to make new claims for legacy benefits and tax credits; that's the benefits Universal Credit is replacing.

So, UC can now be claimed by all the different claimant types that will eventually receive it. And the number of people on Universal Credit will now grow steadily as people move onto the benefit by natural migration as their circumstances change. And Amber Rudd said back in January, the Secretary of State, that we expect that as many as 1.6 million people might move onto Universal Credit this year.

ED Right. And natural migration how does this work and what's the experience been?

SK Well, there's a lot of confusion about natural migration, about what natural migration is and the triggers, what triggers a move to Universal Credit or might not mean that a person would have to make a claim for Universal Credit. But instead of thinking about what those changes might be, it's probably more helpful to think about the basic rule underpinning natural migration: and that is if your circumstances change such that you would have had to have made a new claim for a legacy benefit or a tax credit, with very limited exceptions, that's no longer possible; you have to make a claim for Universal Credit instead.

ED Could you give us an example of how this would work?

SK Sure. For example, a woman who gets income-based Jobseekers Allowance and housing benefit and has a baby and it's her first child: previously she would have been able to claim child tax credit, but as this is no longer possible additional support would only be available through Universal Credit. Now, if she makes a claim for Universal Credit her existing awards of Jobseekers Allowance and housing benefit would end.

As to how the managed migration is working in practice, this is something the Work and Pensions Committee is currently looking into. From the evidence the committee has received so far it seems there is quite widespread confusion about the process, including it would seem within the DWP itself, with various examples of people being wrongly advised that they had to make a claim for Universal Credit, and some finding that they're worse off as a result, sometimes significantly worse off.

A key point here is that at the moment, where people move to Universal Credit via natural migration there is no transitional protection if the Universal Credit award is less than the benefits they were getting. Transitional protection will only be available for people moving on to Universal Credit at the final managed migration stage.

ED The Work and Pensions Committee, when is this report due to be published?

SK Well, the Committee asked for written submissions by 18th February, and has held two oral evidence sessions so far. There's another session I believe which is planned for 1st May so it's likely to be some while yet before the report comes out.

ED Okay. Now, press reports have suggested there may be further delays to rollout; is that the case?

SK I need to explain the background a little bit further here. The Government had published draft regulations for consultation last summer, so that's summer 2018 for the final stage

of introduction of Universal Credit, the managed migration stage, which would involve the transfer to Universal Credit of the remaining legacy benefit and tax credit claimants whose circumstances haven't changed. So, it's people who haven't been affected by natural migration.

There were concerns voiced in consultation responses that the proposed approach placed too much responsibility on claimants themselves to make a claim, and there are particular worries that vulnerable people might not engage with the process, and as a result could lose their benefits. So, in response to that what the Government said is it would only lay regulations to provide for a managed migration pilot, so that would be a small-scale test involving around 10,000 claimants that would start in July 2019.

And the Secretary of State has announced this week that Harrogate has been selected to be the initial site for that managed migration pilot. So, in the light of lessons from the managed migration pilot the DWP would then come back to parliament and seek legislative approval for the managed migration stage proper, and that will involve around about 2 million households, mainly families on tax credits, but also around three quarters of a million people getting ESA, that's people with health conditions and disabilities. But officially the timetable for this remains the same as before, so it would start towards the end of 2020 and finish in December 2023.

ED So, December 2023 is still the final date for full rollout to be completed?

SK Officially yes, but it's not inconceivable that there could be further delays, given the number of times the rollout timetable has been pushed back already. The Office for Budget Responsibility, the OBR, has always been sceptical about the DWP's rollout timetable and its latest assumption is that full rollout won't actually be achieved until some time in 2024-25.

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- ED Now, pressure groups have voiced concern that Universal Credit could result in claimants receiving less support than they do under the current benefit system. How does Universal Credit affect disabled people? And how has the Government responded to concerns? And we should say here that we're using the term disabled people but we do recognise that there are different terms people prefer across the disability sector.
- SK Well, Universal Credit aims to simplify support for disabled people and UC doesn't include any of the disability premiums currently payable with legacy benefits. Now, there are particular concerns here about the loss of the Severe Disability Premium. This is an additional payment currently worth £64.30 a week paid to over half a million people who live alone and don't have a carer. In June last year that High Court ruled that the DWP had unlawfully discriminated against two disabled men who lost £170 a month each as a result of moving to a new area and having to claim Universal Credit. So, in response to that judgement the Government has introduced regulations to prevent people on SDP from moving on to Universal Credit if their circumstances change until they reach the managed migration stage so they can then receive transitional protection. And it's also to make compensatory payments to those who have already moved onto Universal Credit and lost their SDP.
- ED So, if you claimed the Severe Disability Premium prior to being migrated onto Universal Credit you will receive transitional protection; however if you claim Universal Credit and then find yourself in a position in which you would have been eligible for the premium you will not receive anything on top of your Universal Credit payments – is that correct?
- SK In a nutshell, yes. The measures announced only protect people who already qualified for SDP. For people who only meet the disability conditions for the first time after they've claimed Universal Credit there's no equivalent of the Severe Disability Premium.
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ED And for listeners we have a briefing paper on the Commons Library website called Universal Credit and the Severe Disability Premium, which we will post in the episode notes.

Now, there was a separate High Court ruling in January regarding people whose Universal Credit payment has stopped because they received two pay packets in one month. Could you talk us through how this problem has arisen and what that judgment means?

SK Sure. A key factor with Universal Credit is that it's paid and assessed on a month-by-month basis, and this can create a problem whereby if people aren't paid on exactly the same day each month from time to time they can find that they get an additional pay packet within a particular monthly assessment period. So, for example if they are paid on the last working day of the month rather than the same calendar day each month. This can cause quite severe cash flow problems where people find it difficult to budget because they find it difficult to predict how much Universal Credit they're going to get at the end of the month. And it can actually leave people worse off as a result, for example because they can only benefit in any one month from one work allowance; that's the amount that they can deduct from their earnings before the Universal Credit is calculated.

And there's the additional problem whereby if they've received so much earnings or its been counted as earnings such that their UC award reduces to zero, that can push them off the Universal Credit system, meaning that they have re-register to ensure they get paid Universal Credit again the following month.

The DWP's position has been, where people encounter problems such as these, that they simply just need to be aware of months where this is likely to occur and to budget accordingly. An alternative suggestion is that they could ask their employer to change their pay arrangements so that it's more aligned with Universal Credit monthly assessment period.

The High Court ruled that the DWP in this regard had just simply wrongly interpreted what the regulations say. It held that the amount of earnings in respect of a particular assessment period should be based upon, but not necessarily the same as, earnings actually received in that assessment period. So, in situations such as those highlighted in the cases before the court, there would have to be some sort of adjustment where people actually receive two months' salary in one assessment period but the combined salaries didn't actually constitute earnings in respect of the period covered by that month.

We've just published the Commons Library briefing on the Universal Credit assessment period in earned income which gives further information on this.

ED Is this judgment final? And what are the implications of the High Court's decision for the DWP?

SK Well, it might sound a rather dry technical matter, but the judgement if it stands could have quite significant implications for claimants and for the DWP alike, potentially a real headache for the DWP. And the reason for that is that from the start the DWP has assumed that the calculation of Universal Credit awards would be basically an automated process. So an employer reports earnings paid to the HM Revenue and Customs via the real-time information system, HMRC then sends the data onto the DWP which automatically calculates how much Universal Credit a family receives. So, the judgement, if it stands, means that there could have to be more manual intervention in that process and it's potentially adding costs and complications to it.

The High Court held a further hearing on 26th February when it refused the DWP's application for permission to appeal. So, if the DWP wants to appeal further it will now have to apply directly to the Court of Appeal and it has until next week to do so.

ED And the Library will keep publishing analysis as events unfold.

SK We certainly aim to.

ED And if you head over to the Commons Library website our Universal Credit dashboard gives you the latest statistics on the number of people claiming Universal Credit and the numbers getting legacy benefits and tax credits in your constituency. It allows you to gauge how many people are likely to be affected by Universal Credit in your area and how far rollout has got to.

Well, that's it for this episode of the Commons Library Podcast, so thank you very much Steven.

SK Thank you.

ED For relevant briefing papers on Universal Credit remember to look at the episode notes published alongside the recording on our website. And to keep up to date with what our researchers are working on visit commonslibrary.parliament.uk and follow us on Twitter @commonslibrary. Next week we'll be joined by experts from the Library's science and environment section to talk about utilities prices.

The Commons Library Podcast is a House of Commons production. The producer is Grace Rowley, the editor is Chris Blanchett and presenters are Andrew Mackley and Eleanor Davis. Music is by Tom Mackley.