Universal Credit: assumptions, contradictions and virtual reality

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Universal Credit - brief outline

• Centre for Social Justice 2009 paper *Dynamic Benefits*: replace the ‘current confusing array of benefits’ & provide more rewards for work

• Announced in 2010 in DWP White Paper, *Universal Credit: welfare that works*

• Replaces 6 existing means-tested benefits & tax credits for working-age people: Income Based Jobseeker’s Allowance, Housing Benefit, Working Tax Credit (including childcare element), Child Tax Credit, Income Related Employment & Support Allowance, Income Support

• Paid in one monthly payment, in arrears, into one account
Roll-out in selected areas: from spring 2013 for new claims (single childless, then couples, then families with children); 2016/2017 start roll-out to existing claimants

Full implementation – timetable revised several times, now set for end of 2019

At September 2015: 216,000 claims, 145,000 starts and 126,000 caseload

Will ultimately affect around 8 million households and half of all children
Support for the principle ....

• ‘The principles behind Universal Credit have widespread support, which we share. The Government has made significant progress in designing a system which will help ease the transition from benefits to work and it deserves to be congratulated for the progress it has made in this respect.’ (HC Work and Pensions Select Committee, 2012).

• ‘JRF supports the principles behind UC, of simplifying the welfare system and of making work pay.’ (Goulden, 2015, for Joseph Rowntree Foundation)

• ‘Simplifying six benefits with different eligibility and withdrawal criteria into one benefit with a single withdrawal rate that is more easily understood makes sense…. As such, it appears there is considerable support for the underlying goals of Universal Credit across the political spectrum.’ (Finch et al., 2014, for Resolution Foundation)
... leading to lack of detailed scrutiny?

• I.e. a good idea – though concerns about certain areas, e.g.
  • IT infrastructure and costs
  • Roll-out timetable
  • Conditionality and sanctions regime
  • Family budgeting
  • Impact on work incentives (especially for ‘second’ earners)

• Our focus: key policy choices and underpinning assumptions
  • UC as ‘like work’
  • The nature of the monthly means test
  • The transformational goals for UC
  • Contradictions – independence and intrusion
Universal Credit mimics work ....
Three aspects ‘like work’?

1. Claimant commitment - like a contract (government is employer of out of work)
   - But heavy duties/penalties

2. Paid directly
   - To claimant, like wages, rather than like housing benefit, paid to landlord
   - But HB is paid to landlord for some people in work and many social tenants (in/out of work) want to retain this

3. Paid monthly
   - 3 in 4 employees are paid monthly – but 1 in 2 of those on under £10k/year are not (more true of full-time work?)
   - Variation in weekly/monthly wages are common for those on low incomes; and many have partners with a wage/salary paid differently &/or benefits/tax credits paid at different times
   - Implications for budgeting: ‘not a gap but a chasm between the patterns of money management practised in the families studied and the planned reforms’ (Daly and Kelly, 2015: 176) – and payment (in arrears) will be made after some delay
The monthly means test

• Not just monthly payment (focus of attention) but monthly benefit: no daily/weekly rate, no entitlement under a month

• Ministers seem convinced that real time information (RTI), operated by HMRC in relation to pay, will mean that UC is very responsive

• But frequency of other changes in low-income families’ circumstances (household composition, housing costs/situation... etc.)
The monthly means test .. continued

- Monthly approach to changes in circumstances – not *pro rata* weekly/daily
- Reflecting situation going forward despite benefit based on previous month
- Only circumstances on assessment day (12 days/year) relevant
- Negative or positive effects – but not income security/reliability
- And resources may reflect actual needs much less closely - making stable budgeting harder, masking effect of wages on UC
Transforming values and behaviour

• Disconnect between design of UC and what we know about complexities of means testing and life in low-waged work

• To solve gap between what is & what policy assumes: change people

• Ministers: UC as transformational, sweeping cultural change (DWP 2015)

• UC designed for people government believe claimants should become?

• Shaped round (what is seen as) majority patterns of work/life, not building on/learning from priorities & coping mechanisms of those on low incomes
Transforming values and behaviour .. continued

- Possible positives: direct debits, bulk purchases, overcome ‘poverty premium’ (private sector provision of ‘jam jar accounts’ not materialised)

- Or disrupting budgeting by removing vital links in chain of money management? (Daly & Kelly 2015: 176) - then labelling as ‘vulnerable’/failures?

- All eggs in one basket, dependence on everything working correctly

- Budgeting support increases dependence on intermediaries
Contradiction - independence & intrusion

• ‘a journey from dependency to independence’/‘giving people back control’
• i.e. independence from state as goal - but intrusion and control embedded in the design, affecting more people and more aspects of their lives
  • Conditionality for more groups (people in work, partners with children, families with younger children)
  • Sanctions applied to standard UC payment – could be 100% for up to 3 years
  • Work coaches, in work as well as out
  • Help with digital claiming and reporting
  • Managing of budgeting practices (for 2.5 million?), temporary alternative payments
  • Increasing dependence in the family (claimant commitment, one UC payment)
  • Institutionalising low pay/precarity?
Final comments

• Is this a ‘blunder’ (King and Crewe, 2013) – based on mistaken assumptions, failure to understand the evidence, lack of empathy?

• Is it ’institutional ignorance’ (Slater, 2015) – rational calculation in order to support chosen policy direction?

• Virtual reality ….
Social Justice Man says: UNIVirtual Credit Works!!

Get socially mobile, paupers!

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References

Women’s Budget Group briefings on Universal Credit: www.wbg.org.uk (accessed May 2015)