Universal Credit in East Lothian: Impact on client entitlement

citizens advice bureau

Executive Summary

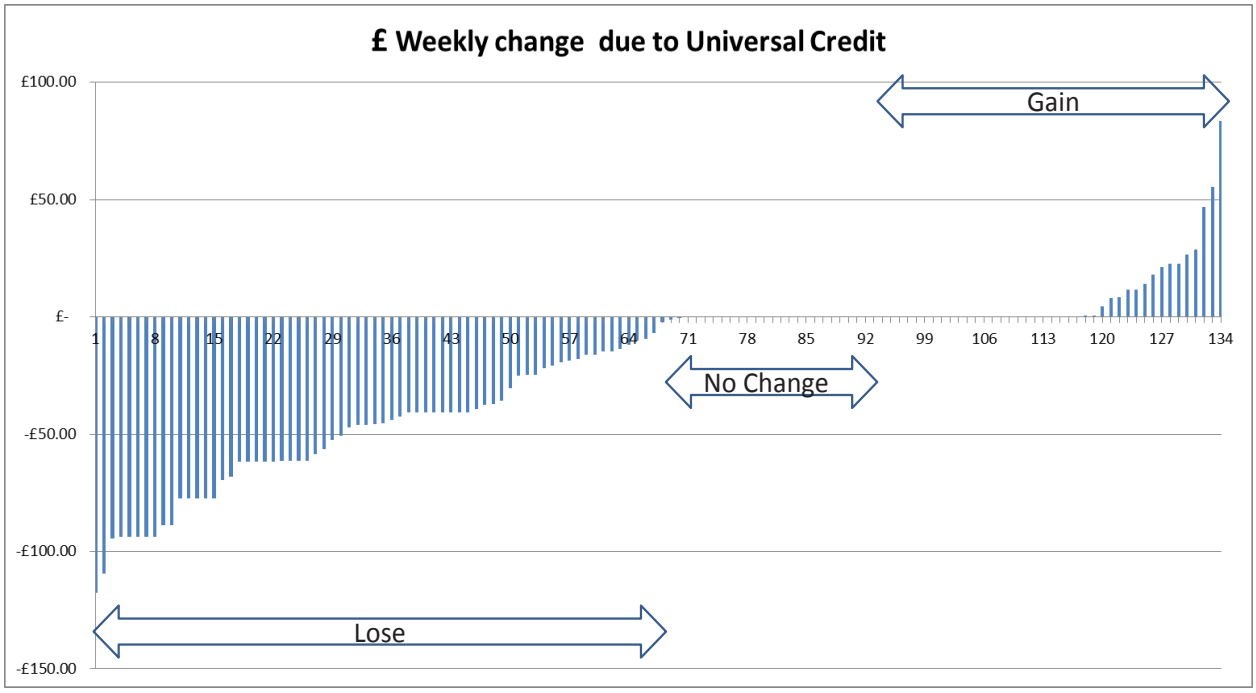
At the end of January 2017 East Lothian Citizens Advice Bureaux conducted a two week 'snap shot' survey of all their visiting clients, enabling us to calculate their benefit entitlements under the new Universal Credit benefit system and the six legacy, working age benefits that it replaces.

The thinking behind Universal Credit in 2010 was to simplify benefits, ensure it paid to be in work, tackle poverty and reduce fraud and error. Not initially intended to reduce budgets, it was to be paid out at broadly similar rates as the legacy benefits it replaced. In 2011, the Institute of Fiscal Studies identified potential 'winners' and 'losers' under Universal Credit, by analysing the effects on theoretical family types and concluded that on average, lone parents would lose £1 per week, while couples with children would gain £4 a week.

However, in 2015 the Budget and Autumn Statement significantly reformed the way Universal Credit is calculated, making it less generous, so that, at this point the Institute of Fiscal Studies expected more families to lose than gain and that the average loss (£35 per week) would exceed the average gain (£23 per week).[1]

As East Lothian was the first Scottish local authority to implement full service Universal Credit, the region's CABs (Musselburgh & Haddington) have had early experience of its financial, emotional and social impact on its clients. This study limits itself to the financial consequences and reviews the potential effects on real people. We are now able to share some 'hard data' on who would gain or lose under Universal Credit as it stands.

1 Institute for Fiscal Studies, Green Budget 2016 https://www.ifs.org.uk/publications/8129 p.232



Musselburgh and Haddington Citizens Advice Bureaux

Research Report

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- **More people would lose (52%) than gain (31%) under Universal Credit, and almost 8 out of 10 (79%) of those who lost would have a financial reduction of more than 10% - amongst those who gain almost two thirds (63%) would experience a financial increase of less than 1%.**

52%

Lose under Universal Credit

31%

Gain under Universal Credit

- **The financial impact of Universal Credit compared with the legacy benefits entitlement would be more negative than the Institute of Fiscal Studies anticipated in 2011 or 2015 – our client's median gain would be 34p per week compared with a median loss of £44.72 per week.**

£44.72

Median loss per week

£0.34

Median gain per week

- **The most adversely affected family type, as the Institute of Fiscal Studies expected, would be lone parents. Amongst those who gain in this group the median increase was £4.59, amongst the losers the median loss was £58.51.**
- **Claimants with disabilities will be as negatively impacted as lone parents – with median gains of 29p and median losses of £61.51**

Universal Credit is an evolving benefit. Since the survey took place, further changes have been implemented which would affect the benefit calculations. None of these recent changes (for example a two child maximum for claims, benefit cap) would result in an increased benefit entitlement.

In practice our respondents did not all transfer on to Universal Credit at the end of January 2017 - some were already in receipt of this benefit, some will remain on legacy benefits until they have a relevant change in circumstances, some will only transfer at the point of full migration and some wouldn't be entitled to any benefit either legacy or Universal Credit. Our point-in-time snap shot research gives an indication of the financial impact of Universal Credit across our respondents. Musselburgh and Haddington bureaux research shows that if all our 134 respondents claimed Universal Credit rather than legacy benefits at the end of January 2017, there would be a net reduction of £2,923.55 per week, paid out to claimants.

£2,923.55

Net reduction per week from 134 respondents