

# Making Universal Credit Work



## Summary

Citizens Advice Scotland (CAS) believes the Universal Credit (UC) system must change if the benefit is to work for all citizens across Scotland, and the rest of the UK. By 'work' CAS means the UC system should not cause financial destitution or debt, should be accessible to everyone and should support people who are in work.

Since the rollout of UC began in 2013, CAS has raised concerns about fundamental elements of its design and delivery causing detriment to citizens.

Social security should be a safety-net people can access when needed – providing the means to afford an adequate standard of living. A social security system that works for citizens is a hallmark of civilised society, protecting those who are in low-paid work, cannot work due to disability or are unemployed from destitution.

Citizens Advice Bureaux (CAB) data, including Citizen Alerts (cases from local CAB), have shown the key problems of UC to be; the five week wait for first payment, the digital by default system and people who are in work not being adequately supported by Work Allowances, the Taper Rate and the Minimum Income Floor for the self-employed.

The UK Government must correct these fundamentally flawed elements of Universal Credit, which are currently not working for citizens.

In this report, CAS sets out a roadmap to improving the current UC system. We want to work with the UK Government to make six key changes that will improve the UC system for people across Scotland, and the rest of the UK.

## CAS recommends the UK Government:

- 1. Reduce the five week wait for first payment to no more than two weeks**
- 2. Introduce a non-repayable assessment period payment to replace Advance Payments**
- 3. End the digital by default application and claim maintenance process**
- 4. Introduce a Work Allowance for all who do not currently meet the criteria for the existing Work Allowances**
- 5. Increase existing Work Allowances and reduce the Taper Rate to allow workers to keep more of what they earn**
- 6. Review the Minimum Income Floor used to estimate earnings for the self-employed.**

## Stop the Five Week Wait for First Payment

After completing an application for UC a person must wait a minimum of five weeks before receiving their first payment. This is meant to mimic the world of work by paying people, monthly, in arrears.

However, those in low-paid work are likely to be paid on a much more frequent basis. Around half of people who earn less than £10,000 a year are paid weekly.<sup>1</sup> A significant number of people do not have a financial buffer in the form of a final month's salary to rely on during the five week waiting period.

CAS has repeatedly raised concerns that the five week wait causes severe detriment to the most vulnerable; people without savings and without family or friends to borrow from. Consistently, CAB across Scotland report the hardship caused by the excessive five week waiting period: it forces people to use foodbanks; accumulate debt; and, causes detriment to their physical and mental health.

The following example demonstrates the stark financial impact of the five week wait for this family when moving to the UC system.



**Citizens Alert:** A North of Scotland CAB reports of a household advised by the Department for Work and Pensions (DWP) to claim UC instead of legacy benefits. The person was receiving their monthly Housing Benefit of £351.44 and then four-weekly payments of; £458.97 Child Tax Credit, £218.35 Working Tax Credit and £192.40 Child Benefit. Moving to Universal Credit would result in payments of Working Tax Credit and Child Tax Credit stopping immediately. The person's Housing Benefit would also cease following a two-week run on; leaving three weeks rent unpaid. This particular family would therefore only have Child Benefit and their low-income wage to try and survive on for five weeks - whilst also accruing three weeks' worth of rent arrears. Following the five week wait, the family would be over £100 a month worse off on UC than they were when claiming legacy benefits.

As a result of people having to wait five weeks for financial assistance, destitution under UC has manifested in the exponential rise of foodbank provision.

Over 4,000 emergency three-day food parcels were distributed every week in 2018/19 across Scotland to people in crisis.<sup>2</sup> CAS supports the Trussell Trust's [Five Weeks Too Long](#) campaign – which calls on the UK Government to end the five week wait. Trussell Trust data shows that usage of their foodbanks is being driven by low benefit income (38%), delays to benefits (19%) and changes to benefits (17%).

Scotland's CAB network also consistently hears from people who have had to wait beyond the five week wait to receive any sort of payment – this usually due to administrative delays and processing errors, such as in this example.

---



**Citizens Alert:** An East of Scotland CAB reports of a client who was a lone parent working part-time and had to wait five weeks for an appointment at a Job Centre to verify their identity. The five week wait for an appointment, coupled with the five week wait for payment after a UC application is completed, meant a total wait of 10 weeks to receive a payment from UC. This caused serious financial hardship.

Social security should provide a safety-net when people need it and not drive destitution. The UK Government should act now to reduce the length of time people have to wait to receive their first payment.

**Citizens Advice Scotland recommends:**

- **An immediate reduction to the length of time people have to wait for their first payment from five to no more than two weeks**

### **Make Advance Payments Non-repayable**

Advance payments – of up to 100% of a person's standard payment - are available during the five week wait. However, these are repayable loans, automatically deducted from and subsequently reducing UC payments.

When making a UC claim, a person with no financial reserves, must either live in destitution for five weeks, or take on debt and have their income reduced for months afterwards. This fuels a cycle of poverty and debt.

---



**Citizens Alert:** A South of Scotland CAB reports of a client who after repaying their advance payment and a loan payment, only has £170 a month to live on for all food and priority bills. This person was seeking a referral to a food bank as they were unable to afford food.

CAS is also aware of cases where a person has wanted to take an advance payment to escape the financial destitution they are in, but have experienced delays in being able to access the advance payment system.



---

**Citizens Alert:** An East of Scotland CAB reports of a client in extreme financial hardship who had to wait eight days for an appointment at the Job Centre Plus to request an advance payment.

Placing people into a cycle of debt should not be a tenet of the UC system. People on low incomes (who are more likely to be on UC) are often unable to build up substantial savings<sup>3</sup>. 1 in 4 people living in Scotland have less than £500 in savings.<sup>4</sup> Over 20,000 pieces of advice on UC were provided by CAB between April and September 2019 with advice on Advance Payments provided in 20% of these instances (4,188 times).

When a person applies for UC, any legacy benefits stop. Apart from a two-week payment run-on for Housing Benefit and the planned introduction of run-ons for Income Support, Employment Support Allowance and Jobseekers Allowance from July 2020. The UK Government is at present already saving an unknown amount of money from this hard-stop. To prevent pushing people – including children – into destitution this money should be used to fund a non-repayable assessment period payment, which would replace Advance Payments.

**Citizens Advice Scotland recommends:**

- **Advance Payments are replaced with non-repayable assessment period payments**

## **End Digital by Default Claim Application and Maintenance**

Claims for UC are made and maintained online. Alternative offline options are meant to be available, although only in exceptional circumstances. The only part of the UC system not primarily delivered through a digital system is the appeals process, which is paper-based and made more difficult by all previous stages being digital.

CAB evidence shows a significant minority of people do not have the internet access or digital skills required to make and maintain their claims online.<sup>5,6,7</sup> The DWP's own study found that only just over half of people (54%) could register their claim online without help; meaning that almost half needed some form of assistance to make a claim online.<sup>8</sup>

People with disabilities, mental or physical health problems, learning difficulties, poor literacy skills or who don't have English as a first language often face the most significant barriers to online claim maintenance.



**Citizens Alert:** A West of Scotland CAB reports of two refugees with limited English who attended a CAB for support claiming UC. These two vulnerable people face significant barriers to maintaining their claim and are at real risk of losing their UC entitlement and therefore their means to sustain themselves.

The same DWP research uncovered that 1 in 3 people (31%) needed on-going support to maintain their online Universal Credit account.<sup>9</sup> The consequences of not maintaining a UC claim are stark, resulting in sanction and even claim closure.

---



**Citizens Alert:** A West of Scotland CAB reports of a client seeking support to claim UC after a previous UC claim was closed, which resulted in the person having to beg on the street. The person had a mental health problem, literacy issues and no digital skills, mobile phone or computer access. The person's previous UC claim had been closed down, most likely due to them being unable to engage with their online journal. The person will struggle to maintain their new claim and is at risk of further sanctions.

People living in rural internet black spots face unique difficulties and are being penalised for living in areas that lack digital infrastructure. 1 in 25 premises in Scotland cannot access a decent fixed broadband connection, with only 38% of Scotland's landmass having good 4G coverage from all operators.<sup>10</sup> There are clear digital infrastructure barriers that prevent someone – even with a high level of digital literacy – from making and maintaining a UC claim online.

DWP funds the CAS network to provide the Help to Claim service across Scotland. Whilst Help to Claim supports a person to make their initial UC claim, it cannot support a person with claim maintenance. CAB across Scotland experience numerous cases of people seeking support to maintain their claim, as they face barriers to doing this on their own.

Maintaining a claim includes all activities required to fulfil the UC Claimant Commitment such as updating the online journal and job searching, with sanctions a possible consequence for any breach. Work coaches communicate essential information through the online journal, including changes to Jobcentre Plus appointments and requesting that a person complete additional tasks.

---



**Citizens Alert:** A CAB in the North of Scotland reports of assisting a client who had no internet access and had travelled 40 miles to get help to make a

claim for Universal Credit. This person has no way of accessing the internet from home and no way of maintaining their claim online.

Even in instances where a person has managed to set-up a phone claim, CAB have reported this not being adhered to by the DWP.

---



**Citizens Alert:** A North of Scotland CAB reports of a client seeking assistance after being told by their Work Coach to check his UC account online. This person had a phone claim and was confused by the incorrect information provided by the DWP.

The centrality of online claim maintenance through an online journal is putting vulnerable people at risk of sanction (and in some cases claim closure) causing major financial hardship, due to issues with digital literacy and access.

From the DWP's own research and evidence from CAB across Scotland, it is clear that having a primarily digital system does not work for a significant minority of vulnerable people.

The UK Government must act to ensure access to UC through other means.

#### **Citizens Advice Scotland recommends:**

- **Alternative, suitably supported offline options to make and maintain claims (such as telephony, face-to-face support and home visits) to be available and actively promoted to all claimants.**

## **Improving UC for People in Work - The Work Allowance and Taper Rate**

For Universal Credit to fulfil its policy ambition of making work pay, CAS suggests the UK Government makes a number of improvements to the UC system for people who are in work. Research by the Joseph Rowntree Foundation has shown that people who are in low-paid work and on UC are falling short of meeting the Minimum Income Standard.<sup>11</sup> CAS believes urgent action is required to halt and reduce the current rising number of people who are in work and in poverty.

At present, only people with limited capability for work, or, people with a child or children are entitled to a Work Allowance. The Work Allowance allows a person to earn up to a certain amount of money without any financial impact on their overall UC entitlement. Current Work Allowance rates are set at £287 for someone receiving housing costs and £503 if a person does not receive housing costs.

However, single people and couples without dependents who don't have a limited capability for work are not entitled to any Work Allowance. People within this category lose 63p of their UC for every £1 they earn, from the very first pound they earn. This means that a single-person, not receiving housing costs, only has to earn around £505 (after tax/NI deductions) a month to be earning too much to be entitled to the Universal Credit standard allowance of £317.82.<sup>12</sup>

---



**Citizens Alert:** A West of Scotland CAB reports of a client currently working 25 hours per week as a child minder. The client is struggling to meet the cost of living and has used up her savings over the last two years. The client is not entitled to UC as they do not qualify for a Work Allowance. The client is nearing retirement age and unable to work more hours in a physically demanding job.

Whilst minimum wage rates remain insufficient to provide an adequate standard of living, the UK Government must use UC payments to fulfil its duty to ensure its citizens can afford an adequate standard of life.<sup>13</sup> CAS has previously called for an increase to the National Minimum Wage to a level that reflects the increasing cost of living. CAS set out our view on low paid work in our response to the Low Pay Commission consultation.<sup>14</sup>

The introduction of a Work Allowance for people, who at present don't have one, would support those working on a low income to be able to afford an adequate standard of life. Reducing the taper rate, would also mean that once a person met the Work Allowance limit they could work additional hours in the knowledge they would keep more of this money. This in contrast to currently, where once a person reaches their Work Allowance they lose 63p for every £1 they earn.

CAS welcomes the increases to the Work Allowance introduced in the Autumn Budget 2018. CAS suggests the next Budget should be used to further increase existing Work Allowances, as well as introducing a Work Allowance for people currently not covered under the existing work allowance. Year on year UC Work Allowances should be uprated at least in line with inflation.

Alongside this, CAS suggest that reducing the taper rate, or moving to a gradual taper rate – would better support people to take on more work in the knowledge that it would not impact on their UC entitlement.

## Citizens Advice Scotland recommends:

- **A Work Allowance is introduced for all who do not currently meet the criteria for the existing Work Allowance**
- **Existing Work Allowances are increased and the Taper Rate is reduced to allow workers to keep more of what they earn**

There are also issues with the current UC system for those who are self-employed. Most of these issues stem from the Minimum Income Floor calculation used to estimate income for the self-employed; this does not take into account the often fluctuating nature of self-employment. The Minimum Income Floor is based on the assumption that someone who is self-employed will earn at least what is equivalent to 35 hours per week at the National Minimum Wage (£287.35 per week). The only exceptions to this is where a person is not expected to work for 35 hours per week – for instance, a person with a young child might only be expected to work 25 hours per week.

Where someone earns less than £287.35 per week – the Minimum Income Floor – in a month, this is not taken into account and a person's UC entitlement does not increase. Contrast this to someone who works as an employee, who would see an increase in their UC if their actual earnings were lower than predicted. When a self-employed person exceeds the Minimum Income Floor, they lose 63p of UC for every £1 they earn above the floor – regardless of whether they have met the floor in previous months.

The method of the Minimum Income Floor calculation can have serious financial consequence for people who are self-employed, as was the case for the veteran in the example below.



**Citizens Alert:** A North of Scotland CAB reports of a client, a self-employed veteran, who was seeking advice about claiming UC. After a social security check it became apparent that moving from legacy benefits to UC would reduce the income of the veteran by a total of £5076.76 a year. This client reported that he would most likely have to give up his business and try and gain full time employment as an employee, as due to the seasonal nature of his business he would struggle to have enough money to live on over winter. Moving to UC will also mean the veteran and his family lose out on income for five weeks with current payments of Child Tax Credit, Working Tax Credit and Housing Benefit (aside from a two-week run-on) immediately stopping.

CAS believes that a review of how the Minimum Income Floor is applied to self-employed UC claimants is necessary to ensure that the benefit works for them.



## **Citizens Advice Scotland recommends:**

- **A review of the Minimum Income Floor used to estimate earnings for the self-employed**

CAS will further highlight the implications of Universal Credit for people in work throughout this Parliament. As natural and managed migration to UC progresses, with more people in work claiming UC, CAS believe the scale of the issues around UC as an in-work benefit will become increasingly apparent.

We urge the UK Government to work with CAS to resolve the issues identified through CAB client experience, in the next budget expected in the spring of 2020.

## **Conclusion**

Universal Credit as an in- and out- of work benefit requires reform. Changes are vital so that UC does not create financial destitution or debt, is accessible to everyone and supports people who are in work.

In this briefing CAS has set out six key asks for the UK Government to implement within the next year. We believe the 2020 Budget is an opportunity for the UK Government to make the changes Universal Credit needs.

Whilst this briefing has focused on key issues with the current UC system and the solutions that should be implemented to solve these; CAS would also draw attention to the more fundamental question of how social security should work for citizens.

Overall levels of social security do not afford citizens with a decent standard of living.<sup>15</sup> CAS welcomes the upcoming ending of the Benefit Freeze and calls on the UK Government to also end the Benefits Cap and Two-Child Policy. For people on UC, direct deductions also have an impact on a person's ability to cope with the rising cost of living. CAS would welcome a review into how deductions are calculated and a move towards a system whereby affordability tests are applied before deducting money from a person's UC entitlement.

In publishing this briefing - reflecting the experiences of CAB clients - we urge the UK Government to take forward the policy solutions set out by CAS. Ultimately this will make the Universal Credit system work better for citizens across Scotland.

- 
- <sup>1</sup> Millar, J., & Bennett, F. [Universal Credit: Assumptions, Contradictions and Virtual Reality](#) *Social Policy and Society* (2017)
- <sup>2</sup> Trussell Trust, [End of Year Stats](#) (2019)
- <sup>3</sup> Scottish Government, [Poverty in Perspective: A typology of Poverty in Scotland](#) (2017)
- <sup>4</sup> Resolution Foundation, [The £1 trillion pie: how wealth is shared across Scotland](#) (2018)
- <sup>5</sup> CAS, [Disconnected: Understanding digital inclusion and improving access](#) (2018)
- <sup>6</sup> CAS, [Bridging the Digital Divide](#) (2016)
- <sup>7</sup> CAS, [Locked Out: The Smartphone Deficit](#) (2018)
- <sup>8</sup> DWP, [Full Service Survey](#) (2018)
- <sup>9</sup> DWP, [Full Service Survey](#) (2018)
- <sup>10</sup> Ofcom, [Connected Nations](#) (2018)
- <sup>11</sup> JRF, [Does Universal Credit enable households to reach the Minimum Income Standard](#)
- <sup>12</sup> Which, [How Universal Credit is calculated](#)
- <sup>13</sup> Universal Declaration of Human Rights, [Article 25](#)
- <sup>14</sup> CAS, [Response to the Low Pay Commission Consultation](#) (2019)
- <sup>15</sup> JRF, [Does Universal Credit enable households to reach the Minimum Income Standard](#)