Giving back control? A contradiction at the heart of Universal Credit

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*As Damian Green arrives as Secretary of State in the Department for Work and Pensions, Universal Credit must be at the top of the long list of issues he faces – and the decisions he takes will have a major impact on many of the 'ordinary working class' families that Theresa May has promised will be the focus of her government. **Jane Millar** and **Fran Bennett** explain that, although the new system is supposed to make things simpler, for many it will actually make things more complicated.*

An estimated ten million people will be in the Universal Credit net when the new system is fully in operation in the next five years. The current system is very complex: people have to find their way through a maze of benefits, and they have to make new claims for some benefits every time they move in and out of work. Universal Credit will smooth that transition by replacing six existing means-tested benefits (Income Based Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, Income Related Employment and Support Allowance and Income Support) with a single benefit.

Having one single benefit will, it is asserted, encourage more people to work, improve take-up of benefits and tackle in-work poverty. The idea of Universal Credit – and in particular the simplification of the system – has itself received almost universal support. This has come from political parties, from think-tanks and NGOs, from the House of Commons Select Committees, and from the Social Security Advisory Committee . There have been some cold feet about the very slow and very costly implementation, with critical reports from the National Audit Office and the Public Accounts Committee among others, and the recent announcement of further delays until 2022 highlight the very real challenges of making this system work. But Iain Duncan Smith's vision for Universal Credit remains, so far, largely intact.

The fact that there is support from a wide range of interests and groups might be taken as a good sign. But policy consensus can also mean lack of scrutiny and challenge. Perhaps we need to look more closely at the design and try to understand what it might mean for those millions of people as they try to access the system. If we walk through the system, as it is supposed to work, what happens?

First, you must make your claim on-line. This is the only way to claim and the only way to update your claim if your circumstances change, though Jobcentres or local advice services may help complete this for you. This is a big step into the modern IT world – but perhaps not a step that everyone is able to take yet. Many people with low incomes have no access to computers at home, and must rely on friends or public systems in libraries or Jobcentres, which are not always readily available. Others will lack the experience and skills to easily negotiate complicated on-line forms. Evaluation by the Department for Work and Pensions (DWP) has already found some significant barriers to the use of IT, which suggests that this area might require significant and ongoing investment.

Second, you must sign a 'claimant commitment'. This kind of arrangement will be familiar to people who have claimed Jobseeker's Allowance, most of whom have always had full-time work requirements as part of their benefit conditions. Universal Credit extends these work requirements in various ways, depending on your circumstances. Lone parents will have to be actively looking for work once their youngest child is three, and be preparing for work before that. But so will partners with children, who have not previously had work requirements like this.

And people already in part-time work may be required to try to increase their earnings/hours. A new role within DWP – the 'work coach' – is being introduced to support unemployed people into work and help those in work to increase their hours. The work coaches will have some discretion to vary work requirements (for example, for disability and caring obligations) but will also be responsible for sanctioning those who fail to meet their claimant requirement. Some early evidence suggests that people in work are bemused by these requirements, which they feel are very unfair.

Third, you must report changes in circumstances, apart from changes in earnings. Changes in earnings for employees will be picked up automatically by the 'real-time information' system that uses PAYE data – a big step forward and key to making work transitions smoother. But all other changes in circumstances must still be reported and there are many of these, in total (including earnings changes) when fully operational this could mean as many as 1.6 million per month.

Experience with tax credits shows that many people will struggle to understand what exactly they have to report and when. And when they do report, the changes will be applied on a single assessment date each month and treated as though they apply to whole of the previous month. This might be good or bad news, depending on the event and the timing. Universal Credit is paid for the month just gone, not the month to come. So if you have a baby just before the assessment date you will get almost a month's extra benefit. But if your oldest child leaves home just before assessment you will lose almost a month. This creates a disjunction between income and circumstances, making it harder to meet current needs or to plan ahead.

Fourth, you will receive your benefit as a single monthly cash payment. This is intended to give people the opportunity to manage their money in the same way as they would in work. But the single payment will challenge budgeting practices that rely on the receipt of different sources of income at different times. There are systems to allow for alternative arrangements in certain circumstances, and support for budgeting and money management has been piloted alongside the digital support services. But again it is clear that not everyone will want, or be able, to access such support. Perhaps most tellingly, one of the conclusions reached so far is that the 'most significant challenge in delivering personal budgeting support was that…trial participants simply *did not have enough money* each month…'.

Which takes us to the final point about the difference between now and Universal Credit: there will be less money. The 2015 Budget proposed cuts to tax credits, some of which George Osborne was forced to postpone after challenge from the House of Lords. But these were not abandoned; they were instead pushed ahead to Universal Credit. Spending on Universal Credit will fall by £3.7 billion (leaving aside temporary protection for some new claimants) compared with the existing system. The impact on families may be mitigated in part for some by rises in the 'National Living Wage' and personal tax allowances and much will depend on individual circumstances. But many working families will receive less from the Universal Credit system than they do now from tax credits. As a new Universal Credit claimant, you will also wait longer for your money; there are seven waiting days (for which you get no money), meaning a wait of about six weeks to the first payment.

So far, the evidence about the impact of Universal Credit is limited. The early evaluations do show some positive effects on moves into work, and increases in job search. The work coaches are generally upbeat about the personalised support they can offer, and some claimants respond well to this. But the main groups brought into the system so far are single people and childless couples. There is a long way to go before all families, with their more complex circumstances and needs, are covered. Simpler systems may work very well for straightforward cases, and this could be a huge gain for Universal Credit. But there are limits to simplification for means-tested benefits, especially when the aim is to target people whose circumstances are not secure.

Universal Credit is supposed to be 'like work' and thus make people feel more independent and – to use a Prime Ministerial phrase of the moment – give them back control. But there will be no escaping the state for these millions of people, subject to ongoing means tests, having to report changes in their lives, fulfilling tougher work requirements even if already working, getting less financial support, and for many also being advised how to budget. This is a contradiction at the heart of Universal Credit. It is intended as a simplification, but the intrusion and control embedded in the design are substantial and extend both to more people and to more aspects of their lives.

Note: the above draws on the authors' published research in *Social Policy and Society*.

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