Universal Credit:

the UK's new working-age benefit

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Introduction

The UK and Finland have both been in the news recently for radical changes to our social security systems for people of working-age, with Finland's Basic Income experiment and the UK's introduction of Universal Credit. These share some things in common. Both have similar policy goals – of shaping social security to fit the current labour market, of improving work incentives, and of reducing complexity. Both include the word 'Universal' in their titles. And in both this is a misnomer, as neither is really universal. And both have led to some controversy and debate.

But there are also significant differences, not least in design, in intended coverage and target groups, in conditionality requirements, and in the approach to implementation and evaluation.

The aim of this paper is to give an overall picture of what is going on with Universal Credit in the UK - the aims, the design and implementation, and what we know about how it is working in practice. The final section summarises some of the concerns that have been raised as to whether Universal Credit is indeed fit for purpose.

The text here is from the lecture as given in September 2018. But this is an area of ongoing change and development, I have therefore added a short postscript to summarise some key developments up to December 2018.

Universal Credit: antecedents and aims

Universal Credit was announced in a government White Paper in 2010 (DWP, 2010). It replaces six existing means-tested benefits and tax credits with one single payment. The aim is to create a simpler system that will improve labour market outcomes, specifically it is intended to do three things:

1. Smooth the transition to work (reduce complexity as a barrier to work)
2. Make all work pay, including mini jobs (tackle the unemployment trap)
3. Reduce high marginal tax rates (tackle the poverty trap)

Alongside these labour market aims, Universal Credit is also intended to reduce fraud and error and to improve take-up. This is thus an ambitious reform agenda, aiming to tackle a number of issues.

This does not come out of nowhere. In fact the UK has long history of in-work support, going back to the 1970s. The Family Income Supplement paid a top-up to low–waged people in work, targeted just on those with children working full-time. And we have also had various 'earnings disregards' for some people receiving out-of-work benefits, in particular a specific scheme for lone parents, introduced in the early 1980s.

Closer in time to now, Bennett and Millar (2017) identified four factors behind the introduction of Universal Credit:

> First, previous versions of in-work benefits & tax credits – especially the Labour government expansion of tax credits in the early 2000s.
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> Second, ideas of a 'single working-age benefit' for those out of work had been promoted by various academics and think tanks, this was mainly in relation to merging unemployment and disability benefits, so was narrower in scope.
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> Third, increased concern about in-work progression, and not just incentives to get into work. The UK version of activation policy has been very much a 'work-first' approach - get people into work and then they can themselves improve their position. But it was becoming clear that progression in work – to better jobs and higher wages – has been limited, with more churning in and out of work than progression to better jobs.
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> Finally, there was the specific impact of the think tank, the Centre for Social Justice and their 'dynamic benefits' report in 2009 (CSJ, 2009). This mooted the idea of universal credit (actually two benefits in that original conception) in an analysis that was very focused on making the case for reforming social security in order to achieve transformational cultural change, to get rid of the so-called dependency culture.

This latter was very influential, not least through Iain Duncan Smith, the Conservative politician who was Founder of the Centre for Social Justice, and then the Secretary of State who introduced Universal Credit. It was Iain Duncan Smith who sustained and pushed through Universal Credit when it came under challenge, strongly backed by Lord David Freud, who (despite being initially appointed by the Labour government) was a senior politician with Duncan Smith in the Department for Work and Pensions (DWP).

This 'transformational' goal is very apparent in a foreword (to one of the Universal Credit papers, 2015) written by Duncan Smith and Freud:

> "… what Universal Credit is really about is a sweeping cultural change… For jobcentres ... vastly improved administration … reduced levels of fraud, error … allowing Work Coaches to focus on the real task of helping people enter and progress in work…
>
> For local authorities … new local partnerships … joining up services for the most vulnerable to deliver holistic support that helps people get online and better manage their money. ..
>
> For businesses ... recruiting someone part-time, for extra shifts or over-time suddenly becomes a real possibility, in turn reinvigorating growth.
>
> For individuals, Universal Credit marks a complete shift in the whole nature of welfare, no longer trapping people in dependency but providing the incentive and support to secure a better future for themselves and their families… Most importantly of all, we know that each and every statistical shift marks a life that has been transformed – a person now with brighter prospects and hope renewed."

The idea of Universal Credit was initially met with general approval and support. Most politicians had experience of the complexities of the existing system through their constituents. Most think tanks, media and academic commentators were also in support of the principle of a simpler system, and of a system that would make work pay. There was thus general support for the principle, with just two examples here:

> '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.' House of Commons 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

So Universal Credit sweeps away the current system of different means-tested benefits and tax credits in and out of work, and replaces this with a single system. Note that it does not include everything, non-means-tested benefits continue, as does means-tested support for local taxation. But it is big. It is a national scheme, across the whole UK (although some variation in Scotland and Northern Ireland). It is administered by one department, the Department for Work and Pensions, and it will affect a very large number of people and households.

When fully rolled out there will be about six to seven million households in receipt. About 40% of all working-age households are in the range, mostly lower-income but eligibility does go up the income distribution (Finch et al, 2014). It will include half of all children. For some groups – lone parents for example – almost all will be within the remit of Universal Credit. The same is true for working-age people with disabilities.

In terms of money, the Office for Budget Responsibility (2018) notes that 'It will cost more than £60 billion a year, it will make up around a quarter of all welfare spending and around two-thirds of working-age welfare spending'. However, in terms of change, the Office for Budget Responsibility also noted that the implications for public finances look 'modest'.

The estimated cost is £1.0 billion less than legacy system in 2022/23 (of course a lot could change by then too). The gross cost is estimated at £9.6 billion, with gross savings of £10.7 billion[1].

But it is important to note is that some of the savings come from reductions in the level of support offered. Universal Credit will provide much lower support than initially promised, and has also been reduced by the cuts to social security since 2010, when the 'austerity' measures started to be brought in by the Coalition and then Conservative governments. These have included:

- A freeze in the level of means-tested benefits for working-age people
- The benefit cap - sets a maximum that can be received out of work
- The 'bedroom tax' - reduces benefit for 'over-occupancy' of bedrooms in social housing sector
- The 'two-child limit' - the child element of child tax credit and universal credit limited to two children (for those born after April 2017)
- Other cuts to tax credits – to the family element, first child premium, thresholds.
- Cuts to specific elements of Universal Credit.

The cumulative impact has been estimated by Portes and Reed (2018) for the Equality and Human Rights Commission. This is based on various assumptions about employment and wage levels and estimates the impact up to 2021/22 of the man changes that have been introduced since 2010. It shows that families with children lose most - lone parents (£5,250, 19% of net income); couples (£3,000, 6% of net income). Disabled people also lose significant amounts. Recent research shows that, for many family types,

[1] The savings are estimated to come from: Less generous work allowances and thresholds for taper: £2½ billion; Removal of disability premia: more than £2 billion; Reduced error and fraud: £2 billion; Abolishing the tax credits income rise disregard: more than £1 billion; Minimum income floor/ assuming that self-employed earnings are at least equal to the MIF, £1 billion a year (very uncertain). The costs are estimated to come from: Higher take-up/full take-up £2½ billion; Gains to those working fewer than 16 hours: £1½ billion a year; Abolishing the tax credits income fall disregard of up to £2,500 £½ billion a year; Increases in error and fraud, especially non-recovery of overpayments £½ billion a year.

the support provided by the social security system falls below the level that the public thinks is needed for a decent minimum living standard. (Hirsch, 2018)[2].

It is very important to remember this austerity context as we look at the Universal Credit system and how it is working.

Universal Credit: Design

Moving on to look at the design of Universal Credit, this does build on various elements of the existing (so called 'legacy') benefits and tax credits; but the transformational change agenda is also very apparent. In particular one of the key principles was to make Universal Credit be 'like work'. So Universal Credit is designed to require claimants to sign up to a 'claimant commitment' (like a contract with an employer) and to mimic wages in the way that it is paid. The 'claimant commitment is a requirement for everyone, including both partners in a couple. There are four categories:

- *No work-related requirements*: for people with very limited capacity for any work-related activity, for people providing full-time care, for carer with a child under age of one (and a few other very small groups).
- *Work-focused interview requirement only:* designed to assess prospects and assist or encourage move into work. This is for people with a child aged one, or foster carer, or if a child has extra care needs.
- *Work preparation requirement:* This can include taking part in training, work experience or an employment programme. This is for people with limited capability for work.
- *All work-related requirements: t*his is the full conditionality group, where people are required to look for and be available for work. This is usually full-time work of 35 hours a week but this can be less in certain circumstances (carers, health). This is the default, where most people are expected to be.

[2] To give some idea of the amounts of money received by Universal Credit claimants: in December 2017, the average monthly payment for a couple was £623, increasing to £954 for those with children. For single people the average monthly payment was £422, and for lone parents it was £967 (DWP Stat-Xplore). Median annual household disposable income for all UK non-retired households in 2018 was £30,800, or about £2,566 per month (ONS, 2018).

Work conditions also apply to people who are in work, although in a more ‘light touch’ way. So working people are also required to seek additional hours, unless they are already working the equivalent of 35 hours a week at the level of the national living wage. For example, a lone mother with a child aged between five and 12, working for 20 hours a week at the national living wage would be expected to spend another 5 hours seeking work, and would be required to show that she had done so. If her child was aged over 13, this would be 10 hours of job search a week.

This ‘in-work conditionality’ is a new aspect of Universal Credit. There are two main reasons or rationales for this. The first is that this conditionality replaces the hours threshold. Under the legacy benefits, this was set at 16 hours a week for most people. So people could not continue to claim out-of-work benefits if they were working on average 16 hours per week or more. Some could move from out-of-work benefits to in-work benefits when they worked for 16 or more hours, but only if they were disabled or had children. Others could get no support in work until they worked 30 hours per week or more. But Universal Credit is payable at any, or no, hours of work. This might mean that people would choose to stay on very low hours for long periods. A further work requirement for people in work prevents this. The second rationale is that this conditionality will help people to focus on, and achieve, ‘in-work progression’. The work requirements are therefore intended to help people to move out of low-paid work, to improve their earnings over time, and thus to become independent of state support.

Work requirements can be varied or reduced for those with caring responsibilities. For families with children, the concept of a ‘lead carer’ is used to determine this. Lone parents are automatically lead carers, couples must nominate one. This is necessary because both members of a couple are required to sign their own claimant commitment. But if there are children, one of the couple will be able to be more restricted in their work requirements. This is connected to the age of the youngest child. So, for example, the lead carer with a child aged one does not need to look for work, with a child aged 2 they must start preparing for work. At age 3 and 4, they should work (or look for work) for 16 hours. This rises to 25 hours when children are aged between 5 and 12, and reaches the full 35 hours when children are aged 13 and above.

Note that this is a new requirement for partners in couples with children, who previously have not generally been included in work requirements. It is also quite a significant change for lone mothers. Over the past decade lone mothers have increasingly been brought into work requirements. Up to 2008, they could stay at home and receive benefits until the youngest child was aged 16. Now they must be working or looking for work when the youngest is aged three.

There are also special rules for the self-employed. This involves a threshold known as the *minimum income floor*, whereby self-employed claimants judged to have a viable business are assumed to be earning at least as much as the national living wage at 35 hours per week. This does not apply for the first 12 months, but then is applied regardless of actual self-employed earnings. Self-employed people have to report their self-employed earnings at the end of each monthly assessment period.

And there is the new role of 'work coach' within Jobcentres. Work coaches will set the claimant commitment, support people to seek work, and to progress in work. They will be expected to work closely with local employers, and training providers and so on. It is quite a wide-ranging role, which will require some specific knowledge and skills (Office for Budget Responsibility, 2018).

And finally on these work requirements, we should also note that they are backed up by a strict set of financial sanctions that can be applied to those who fail to meet these. Work coaches are involved in determining sanctions for non-compliance, giving them a bit of a dual role of support and control.

Turning to the means test, this also has some elements brought forward from the legacy benefits and some new aspects. The basic model involves a family-based means test. The amount is based on a standard allowance with additions for children, disability, and housing. These are combined into a single amount. For people with earnings, the 'work allowance' disregards some of these (there are different levels of these and some claimants (non-disabled, childless) have no work allowance. Above the work allowance, a single taper rate (currently set at 63%) applies, so Universal Credit is reduced by 63 pence for every net pound.

This is a relatively familiar model for the shape of means-tested benefits in the UK, although the single taper replaces what was a system of multiple different tapers for the various legacy benefits. So this is simpler and clearer in terms of the visibility of what happens to total income when earnings rise or fall. A single person has no work allowance, so the taper comes into play as soon as there are any earnings. A lone parent who has rent costs has a smaller work allowance than a lone parent without rent (note by the way, mortgage costs are not covered, but there is a separate loan arrangements).

Universal Credit is assessed on basis of income in the previous calendar month. Net earnings data is collected from employers (via the 'real-time information' system). Any other income or changes in circumstances must be reported by the claimant. The assessment is made on the basis of the 'whole month' approach, meaning that whatever circumstances apply on the last day of the assessment period count when it comes to calculating awards, regardless of when that change happened. So a change the day before the assessment day is considered to have applied for the whole month. A change the day after will not have any impact until the following month.

Universal Credit is also paid monthly in arrears into one account. There are some options for 'alternative payment arrangements'. These could be to have payments more frequently than monthly (for claimants considered to be vulnerable), to pay the housing costs direct to the landlord (landlords can request this if there are arrears), to split the payment between the partners in a couple (where, for example, there is evidence of domestic violence or financial mismanagement) (UC guidance, 2018). As noted above, this is a national scheme, but Scotland is using the devolved powers to give the choice of twice-monthly payments and housing costs paid direct.

Finally on the design, some other points are worthy of note.

First this is a system that is 'digital by design'. It must be claimed online. Recipients must report changes of circumstances online. They show proof that they have fulfilled job search requirements through a mandatory online journal. Communications from work coaches come through the same system.

Second, childcare costs can be covered, up to 85%, with a maximum claim level (which is the same for two or more children). This is only for those in paid work, which in a couple means both partners, and the childcare costs must have been incurred within the assessment period. This can be difficult for some families, if the childcare provider for example charges in advance for longer periods, requiring upfront payments before any Universal Credit can be received.

Third, there is the possibility of third party deductions: for rent and some other arrears. These can be up to 40% of the standard allowance.[3]

And, perhaps not surprisingly in light of all the above, there is a new local system of 'Universal Support'. These are local partnerships with DWP, with partners such as Local Authorities, Citizens Advice, credit unions, registered social landlords, and some registered charities. There are two tasks in particular for Universal Support.

The first is to give advice, assistance and support on digital system, as it was recognised that not everyone would have the skills, experience and access to operate in such a sophisticated digital system. For some claimants this is a very significant challenge.

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[3] Universal Credit can be reduced by 10% and 20% of the standard allowance for rent arrears. And reduced by 5% for: gas, electric or water arrears; council tax bills arrears; child support maintenance; some loans; some fines. A maximum of three third party deductions at a time and in most cases no more than 40% of the standard allowance.

The second main area relates to budgeting and money management. Currently some benefits are paid two-weekly; tax credits claimants have the option of weekly or 4-weekly payment; housing benefit is usually paid at the same intervals as rent payments. Thus people who receive more than one benefit might be getting payments in different weeks or on different days. And for many people, the rent element is paid directly to the landlord. So the shift to a single monthly payment for all benefits and including rent, is a potentially a major challenge, the more so if money is tight and needs to be stretched. So provision is intended to provide support and advice as to how to manage and budget.

The above outline provides a lot of detail on the design of Universal Credit, possibly more than most people need to know. But I believe that it is important to look at these details, and to look at what this reform actually involves in practice, in order to understand the challenges in trying to achieve this replacement of six benefits with a single scheme. Universal Credit is much more than the single taper, which is the aspect that was modelled for comparison with basic income in Finland in a recent OECD paper (Pareliussen et al, 2018).

And so to the delivery. The White Paper came out in 2010, followed by legislation in 2012. The first claimants were brought into the system in 2013. The approach to roll-out was to start with new claimants, to start with single people, then couples without children, and then couples with children and lone parents. So the approach was start with the simpler cases and then move onto the more complicated. Different parts of the country have also been brought in over time.

The roll-out has proved very complex and costly. The timetable has been revised several times. The planning assumption in March 2013 is that everyone would be on Universal by now (2018/19) and implementation would be complete. But there are only about one million claimants now and full implementation is not due to be completed until 2023.

There have been various revisions to the timetable and indeed a major ‘reset’ in 2013. Many of the delays and problems lay with the IT systems, and the complexity of the design and the links needed between systems. Project management has also been a big problem for DWP. And the fact that the DWP has also had a lot of other reforms and changes to benefits going on at the same time. There is an excellent account of the problems, and of the politics, of all this by Timmins (2016), a story (as he puts it) from 'disaster to recovery'.

How is Universal Credit working?

There are three points that are important to note here, before we look at the evidence. The first is that, so far, Universal Credit recipients are still mainly single people or couples without children. So most of what we know about the impact so far relates to this small and specific group. Second, the system is still about new claimants. Most of the potential Universal Credit population are still receiving the legacy benefits, so the client group will not just be much bigger but also very different in characteristics when the system is fully operational. Third, there have already been various changes to aspects of the system, not least in response to concerns about its operation. A number of these were introduced following the 2017 autumn budget. These included an interest-free advance of up to a month's payment within five days of the claim and extension of the recovery period for advances from six to twelve months; removal of the seven day waiting period; and run-on of housing benefit into the for the two weeks of Universal Credit (HM Treasury, 2017).

The effect of these, and other, changes will not have been fully captured in the data and research so far (and see the Postscript below for further changes announced since September 2018).

The DWP has a programme in place for evaluation, with some early results showing a small positive impact on employment for single people (DWP, 2015) and some evidence that families with children felt that the claimant commitment was failing to recognise individual circumstances (DWP, 2017). There is a randomised control trial (DWP, 2018) exploring the impact of different levels of intervention on earnings, which also showed a small positive effect.

But the most extensive evaluation from DWP so far is the 'full service survey' (DWP, 2018). This included about 1,800 Universal Credit claimants, interviewed between March and September 2017. Findings included:

- Almost all claimed online, just over half without any help.
- About a third found it difficult, especially the verification of identity online.
- Most understood their work requirements.
- Two-thirds felt confident in managing their Universal Credit.
- Around half experienced financial difficulties at three months.
- About half were exceeding their job search requirements.
- Of those in part-time jobs, two-thirds wanted to increase their hours.
- 23% in work at point of claim, 40% at eight months.

Of course, data like these can be interpreted in different ways. There is some reassurance for the government that people are successfully accessing Universal Credit, they at least broadly understand the aims and how it works, and they are seeking work as appropriate. But, on the other hand, it is also clear that a significant minority are struggling, finding the system opaque and hard to access, experiencing financial hardship, losing confidence, and not getting help. Much of this was predicted from the start.

The same sorts of issues are also apparent in the view from the ground. There is mounting evidence, including material presented to the ongoing inquiry being conducted by the House of Commons Work and Pensions Select Committee (2017/8), of the way in which people are experiencing the new system. This comes from research (for example, Wright *et al*, 2018), from NGOs, charities and housing associations (for example, CPAG, 2018, Trussell Trust, 2018). There is also an increasing level of media attention, including active social media blogging.

This highlights a range of problems. First, there are clearly issues in getting access to the system. The digital online claim is a problem for people without easy access to computers, or experience in their use. There is a lot of information that must be submitted and then verified. The whole process can take many weeks, and people do drop out along the way.

Second, for those receiving Universal Credit, there is some evidence that people both find the in-work conditionality unreasonable (they feel they are already meeting their work obligations) and find it hard to meet the requirements, and that the sanctions are applied unfairly. The work coaches get something of a mixed response, some very good and some very bad, which suggests a very variable level of provision across the country. And people find it hard to understand how their monthly payments are made up, or why they vary when they do.

Third, there is also mounting evidence of hardship for some people. Housing Associations point to rent arrears and evictions. There is also some suggestion that some private landlords are less willing to rent to recipients of Universal Credit, as they fear they may not receive the rent. Foodbank use has been on the rise in the UK in recent years, and Universal Credit seems to be making this worse. And people are having to reply on their families, if they have families who are able to help. The overall picture, or impression, is that the system is struggling to deliver an appropriate standard of service and creating unacceptable hardship for some people.

The National Audit Office has produced several reports on Universal Credit, and the most recent (NAO, 2018) reaches some very negative conclusions. The report notes that there are some positives: that claimant satisfaction is much the same as for the legacy benefits, that there are often good relationships between work coaches and claimants, and that the systems have improved since the start of Universal Credit. But the report also notes (as in the evidence summarised above) that some claimants are struggling to access the system, that some experience long delays in payment, causing hardship, and that many people are not getting any help. They note the extra costs falling on local organisations (which are not included in estimates of spending on Universal Credit) and also that the DWP has been ‘unresponsive’ and unwilling to work with external bodies on developing the evidence base.

And the report is particularly most damning in respect of the future prospects, arguing that there is still much to do to improve efficiency in the delivery of Universal Credit. It also points out that much is unknown, in particular that the early labour market gains may not apply to all, that there may not be savings in administrative costs (and as we saw above, the Office for Budget Responsibility estimates these savings to be limited), and that we know very little yet about the impact on fraud and error. The National Audit Office also concludes that the DWP will 'never be able to measure' employment outcomes, because it will be impossible for the impact to be isolated from other factors. They say this because of the way that Universal Credit has been rolled out, which makes it difficult to find comparison groups. Overall the report concludes that Universal Credit is 'not value for money now and its future value for money is unproven'.

Universal Credit: fit for purpose?

This is a new system, and involves major change. Perhaps these are mainly teething problems. (As there were when the tax credit system was introduced in the early 2000s.) Some of these problems could be resolved by changes to policy. Some could be resolved by improvements in the IT and other administrative changes. And some could be resolved over time, as claimants get used to the new system, get to understand it better, and change their behaviour accordingly.

The government and the DWP take this view, and maintain that this is policy going in the right direction, that they have already made changes, and that their 'test and learn' approach is leading to constant improvements in the administrative systems. They also point to the increase in employment and to their own modelling which estimates 200,000 more people in work once the system is fully rolled out (DWP, 2018).

The government response to the National Audit Report was thus very robust, with Esther McVey, then the Secretary of State, initially saying that the National Audit Office report was flawed because it did not take into account the most up-to-date information. She also said that report argued that the roll-out should be speeded up. She was forced to apologise for 'misleading statements' after the head of the National Audit Office objected.

However, she continued to maintain that, although there are issues to be addressed, Universal Credit is working well and achieving its aims.

And in fact, despite the concerns, there is not yet significant support for abandoning Universal Credit. The National Audit Office report concludes that there is ‘no practical alternative to continuing’. But it does argue for a further slowing down, that the government should ‘ensure the programme does not expand before business-as–usual operations can cope with higher claimant volumes’. And many other organisations and groups have also called for a slow-down, or a pause, while the problems that have been identified are resolved. This includes Frank Field, MP and chair of the House of Commons Work and Pensions Select Committee, in the House of Commons debate (11th July 2018), ‘I ask the Secretary of State for that pause—not never to resume the roll-out, but to at least ensure that we are not inflicting unnecessary suffering, horror and hunger on our constituents.’

There is also no shortage of ideas as to the sorts of changes that are needed (Millar, 2017). For example, Brewer et al (2017) of the Resolution Foundation have produced a ‘remedy’ report, with 16 recommendations under four main headings: implementation, generosity of support, financial incentives to enter work, and financial incentives to progress. And there are many others with ideas and proposals for reforms.

But far from a slowdown, the next stage of implementation is itself a major further challenge. As noted above, the vast majority of potential Universal Credit recipients are yet to enter the system, including people with the more complicated circumstances. The House of Commons Library (2018) points out that ‘the majority of households with rent, children or incapacity are yet to move to Universal Credit’. The process proposed to move people from legacy benefits to Universal Credit is via ‘managed migration’. This means that existing claims will be ended by the DWP and people will have to make a new claim for Universal Credit. This process is due to start in 2019. The Office for Budget Responsibility estimates that around 1.9 million households are likely to be subject to managed migration.

There is much concern that the managed migration process – which involves new claims with associated waiting times for payments and potential delays – will cause significant hardship and stress, particularly for some very vulnerable groups. Responses to the Social Security Advisory Committee (2018) consultation on managed migration have argued that the system is not ready, not yet fit for purpose, and that much more needs to put in place before moving on to this next phase. Individual stories of distraught and suffering claimants and their families are already widespread in the media and social media. Managed migration has the potential to magnify these (see further discussion in Postscript below).

Finally, what about the bigger picture? Universal Credit was promoted as the answer to the needs of the twenty-first century for a modern system. As noted above, government ministers have been very upbeat and robust in their commitment to Universal Credit. It is worth quoting more fully from Esther McVey's statement to House of Commons in (Hansard, June 2018), when she commented on the National Audit Office report:

> We are building a benefits system fit for the 21st century, helping more people into work by providing tailored support and more financial support for the most vulnerable. These changes are designed to reflect not only the technological age we live in, which is having a significant impact on work and communications, but people's working lives. We are providing extra support for childcare costs, and offering flexibility to look after children or elderly parents. Our reforms take into account flexible working, self-employment, multiple jobs, the gig economy and societal changes, particularly the growing awareness of mental health conditions, which is strongly linked to the changing pace of life and the barrage of constant communications.

These expressions of intent look hard to realise in practice, but this is a vision that does seek to place Universal Credit as the right shape to fit the future. But does Universal Credit really fit the bill for the twenty-first century? There are various reasons to be concerned. First, the level of support has been reduced, raising concerns that Universal Credit will not be able to prevent or reduce in-work poverty. All the estimates suggest that child poverty is set to rise over the next few years. For example, Portes and Reed (2018) project that child poverty rises from 31per cent in 2010 to 41per cent in 2021/22, an extra 1.5 million children in poverty. In-work poverty has been increasing in recent years, especially for one-earner families (including lone parents and couples). Joyce (2018) of the Institute for Fiscal Studies (2018) notes that '57% of people in poverty are children or working-age adults living in a household where someone is in paid work; up from 35% in 1994-95 … In-work poverty has become one of the most important challenges we face'.

Secondly, far from being a system that recognises the structure and nature of modern families – which in the case of couples are typically two-earner families - Universal Credit has a rather old-fashioned feel, as Garnham, director of the Child Poverty Action Group, has recently pointed out. She points to many ways in which Universal Credit discriminates against women (as have Bennett and Griffiths, among others). Universal Credit treats men and women in couples to some extent as individuals - each must agree and meet their own a claimant commitment, for example. But it also links them closely in many ways, not least following from the fact that this is a family means test and a joint claim. There are three aspects in particular that fail to address gender equity issues:

1) There is no work allowance for second earners, and this will affect mainly women. This may deter part-time work, and mean that women will not maintain an attachment to the labour market (important if the couple separate).
2) The requirement on couples to identify a 'lead carer' (and by implication therefore a 'lead worker'). As Garnham puts it, 'Why can't both men and women with children restrict their working hours and share the responsibility of caring for children?'
3) The single payment into one bank account for couples. This has generated a great deal of comment and concern. In particular, there is concern that this may reduce financial independence for women. As noted above, payments can be split in cases of domestic violence, but making such a case to DWP may make women more vulnerable. The DWP does not routinely publish data on who receives the Universal Credit payment, nor on split payments.

My current research (with Fran Bennett, Rita Griffiths and Marsha Wood) is focusing on labour market, caring and budgeting decisions for couples with children receiving Universal Credit, so we will have more to say on these issues in due course.

Thirdly, nor does the design of Universal Credit look fit for the nature of and trends in today's labour market, as Finch (2018) argues. He points out that Universal Credit was primarily designed to reduce unemployment, to give people clear financial incentives to enter work, including at just a few hours or at variable hours. But employment rates are now very high and financial incentives to work have strengthened, not least due to lower out-of-work benefits and increases to the national living wage. Thus 'the biggest problem facing the labour market of the 21st century is not worklessness, it is boosting the income of families with people already in work' (p35). The returns from increased earnings remain low on Universal Credit, as the 63% taper applies to net earnings, add income tax and national insurance contributions to that and the withdrawal rate is not much different to the current system. They point to lone parents and second earners as facing low financial incentives to earn more – just as noted above, it is women who are at risk of being left behind.

Universal Credit is a strange and contradictory beast. It was sold as a simple and easy to understand system. But it is complicated and opaque in practice. It was sold as making people more independent. But it embroils more people in extensive reporting and state scrutiny. It was intended to support the 'hard-working families' who are deserving of state support. But it imposes further work requirements on them, with the threat and reality of sanctions. It was intended to enable people to enter and stay in work. But it creates insecurity and instability in income. It is already rather different from the original proposals. How it shapes up over the next few years remains to be seen.

Postscript

The story of Universal Credit continues to unfold. This postscript summarises some key developments in the three months between the time of the lecture (September 2018) and the time of writing (December 2018).

The October 2018 Budget

The government announced a number of important changes in the 2018 Budget (for details see HM Treasury, 2018). The main changes will be implemented in 2019 and 2020 and include: an increase in work allowances by £1,000 per year; continuing payment of the main out-of-work means-tested benefits for the first two weeks of a Universal Credit claim; lower maximum repayments for overpayment, debts and advances; and extra time for people who have been self-employed for some time already to remain free of the assumption that they are earning a certain amount. The timetable for managed migration is also slowed down, and this will now conclude in December 2023.

HM Treasury (2018) estimates that these (and previous measures since 2016) will mean additional government spending on Universal Credit of £2.5 billion per year in 2023/24. The Resolution Foundation (Finch and Gardiner, 2018, p2) point to the positive impact of the increased work allowance, although note this only applies to families with children and people with disabilities, and conclude that 'in total spending terms – the vast majority of cuts made specifically to UC in Summer Budget 2015 have now been reversed'.

Paul Johnson, Director of the Institute for Fiscal Studies was quoted in the press (The Independent, 30.11.2018) pointing out that, although these measures did reverse the specific cuts to Universal Credit, the ongoing cuts to other benefits were much more significant: "Four years of benefit freezes, and the ending of family premiums and of payments in respect of third and subsequent children are a much bigger deal than this increase in work allowances". The Budget also included an increase in the income tax personal allowance higher rate threshold, thereby increasing income for the better-off.

The Social Security Advisory Committee Report on Managed Migration

Published in early November 2018, this consultation had received a record number of over 450 submissions. There were 12 main recommendations, aimed at making the system more deliverable, less complex, easier to understand, and not imposing a disproportionate burdens on particular groups of people (SSAC, 2018). The report makes it clear that the responsibility for ensuring that claimants are moved safely onto Universal Credit rests with the government, not the individuals affected, and that there should be a 'rigorous and transparent' assessment of operational readiness to deliver managed migration in the DWP before it starts.

The government has accepted, or accepted in principle, most of the specific proposals. It did not accept, but agreed to look further, at the processes for transferring claims (the possibility that some groups of claimants could be automatically transferred, that claim forms should be pre-populated, that interviews should not always be required), and at the recommendation that claimants should not be expected to produce data that is already held by DWP in their current claims. As noted above, the timetable for the roll-out of Universal Credit, including managed migration, has already been revised. In response to SSAC, the government also agreed to start with a group of about 10,000 claimants in 2019, in order to test the processes.

The SSAC (12.12.2018) responded with a letter urging the government to reconsider the requirement that all claimants must make a new claim to Universal Credit in order to be migrated to it. The letter also reiterates concerns about various aspects of the regulations governing managed migration. The House of Commons Work and Pensions Select Committee (2018, para 60) has also continued to express concern about operational readiness, 'A commitment to set tests before increasing the volume of claimants to be transferred is simply not good enough**.** We urge the Government to commit to setting tests which must be met before a single claimant is transferred to Universal Credit via the managed migration pilot'.

UN Special Rapporteur on Extreme Poverty and Human Rights

The interim report on the UK visit by Philip Alston, the United Nations Special Rapporteur, was published on 16th November 2018. This included a section on Universal Credit, which supported the concept ('Consolidating six different benefits into one makes good sense, in principle') but was highly critical of the implementation. The report pointed to the evidence of hardship caused by delays and other problems and the 'dismissive' response by government ministers. The report expressed particular concern about the 'digital-by-design' system and the use of financial sanctions. A longer report will be published in spring 2019.

Media campaigns

The Mirror and the Sun are two of the most widely-read popular daily newspapers in the UK. In October the Mirror (30.10.2018) set up a petition to stop the roll-out of Universal Credit and urged the government to consider three possible options: substantial redesign, keep the existing system, or introduce a new system. Under the heading 'Credit Chaos', the Sun (17.12.2018) has also launched a campaign with three specific demands, to cut waiting times, to increase the work allowance and reduce the taper, and to pay childcare costs upfront rather than in arrears.

A new Secretary of State for Work and Pensions

Amber Rudd was appointed Secretary of State for Work and Pensions on 16th November 2018. She is the fifth person to hold the post in the two years since Iain Duncan Smith, the original architect, resigned in 2016[4]. There is no longer a post of Minister of State for Welfare Reform (since Lord Freud stepped down at the end of 2016). In her first appearance to the House of Commons Work and Pension Committee (December 2018), Amber Rudd said that she was enthusiastic about Universal Credit, but that she recognised that there were problems and that she would consider further changes to restore confidence.

[4] Iain Duncan Smith, 2010-216; Stephen Crabb, 2016; Damien Green 2016-2017; David Gauke 2017-2018; Esther McVey 2018.

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