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Work and Pensions Committee Inquiry: The Implementation of Universal Credit

1 Introduction

As the Committee for Social Development will shortly commence its scrutiny of the Welfare Reform Bill, the Assembly Research and Information Service (RaISe) will endeavour to keep the Committee updated with latest developments in welfare reform in GB. There currently are a number of pilot projects and Committee inquiries underway in Great Britain which are highly relevant to the Social Development Committee's role in the scrutiny of welfare reform and which the Committee may wish to consider, e.g.:

- Westminster Work and Pensions **Committee Inquiry into the Implementation of Welfare Reform.**
- The **Social Security Advisory Committee's** call for evidence on Universal Credit Regulations.
- Universal Credit **pilots** e.g. relating the housing element; advice and information services; direct payment demonstration projects etc.

- DWP discussions with the banking industry to development new financial products for Universal Benefit recipients.

This briefing paper concentrates upon the Westminster Work and Pensions Committee Inquiry into the Implementation of Universal Credit. Although the report of the inquiry is yet to be published, this paper provides a summary of some of the issues raised by consultees in their submissions to the Work and Pensions Committee.

The submission by the **Northern Ireland Welfare Reform Group to the Committee Inquiry** is attached in **Annexe 1**.

2 Westminster Work and Pensions Committee Inquiry: Universal Credit

On 17 July 2012, the Westminster Work and Pensions Committee announced that it was launching an inquiry to review the progress being made towards the implementation of Universal Credit and to examine the implementation process, the proposed entitlement conditions and the future operation of the benefit. The Welfare Reform Act 2012 which provides the underpinning legislation for Universal Credit received Royal Assent in March 2012. The implementation of the Act will require the passage of several sets of detailed Regulations, many of which were published in draft form in June 2012 (and were being scrutinised by the Social Security Advisory Committee). The Work and Pensions Committee were particularly interested in receiving evidence in a number of areas:

1. **The proposed arrangements for claims and payments and the provision of support and advice for claimants:** e.g. the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.
2. **Progress with developing the necessary IT systems to administer Universal Credit:** e.g. the Real Time Information (RTI) system for PAYE taxation being developed by HMRC.
3. **The proposed arrangements for the 'claimant commitment', sanctions and hardship payments.**
4. **Changes in the income entitlement of disabled people under Universal Credit:** including those who may receive less income under Universal Credit than at present.
5. **The impact of the changes on local authorities:** e.g. budgets, staff support for claimants – changes include those to Housing Benefit, the introduction of the benefit cap; and localisation of council tax support.
6. **The level of the earnings disregard.**
7. **Eligibility for and operation of passported benefits.**

8. **Impact monitoring:** what the DWP's priorities should be for monitoring the impact of the transition to Universal Credit.

Summary of Responses¹

Online Self-Service Claims:

- Concerns that reliance on a complicated IT system will leave claimants in financial difficulty if the **system was to breakdown**. This was felt to be a particular problem for households given that Universal Credit would amalgamate a number of different benefits into one single payment. Safeguards must be put in place to reduce the risk of systems failures, human error and problems with the software.
- Generally consultees welcomed a simplification of the administration of benefits and the use of an online resource. However, there was widespread concern that vulnerable clients (e.g. those on low incomes, people with disabilities, those in rural areas) may not have **access to the internet** and/or **may not have the skills** to complete and maintain an online claim. Northern Ireland was mentioned as the region in which people were least likely to have used the internet.
- There has been a growth in the **use of smart phones** amongst people on lower incomes as a means of accessing the internet. There was a call for DWP to be aware of this and for the UC claims process to be fully mobile complaint.
- Must be recognised that there are many areas without **access to broadband**.
- Concerns around **accessing UC claims via public accessible computers** (e.g. in libraries) – e.g. claimant's personal details on publicly accessible computers must be safeguarded; public access computers (in libraries) may not have suitable or flexible opening hours; public access computers are not always free of charge (e.g. internet cafes).
- Concerns that the complexity of the process for completing and maintaining a claim may lead claimants to make **unintentional errors** – such errors should not lead to a sanctioning of the claimant.
- Claimants must have access to alternative means of claiming e.g. by **telephone and face-to-face contact**. Any assisted claiming facilities and advice services must be well-financed from central government and must provide minimum standards to prevent regional variations.
- Questions whether the new **online system will be tested using vulnerable clients** before it is rolled out (e.g. homeless people, people with disabilities).

¹ This synopsis is based on the published consultation responses of the Work and Pensions Committee Inquiry into the Implementation of Universal Credit. www.publications.parliament.uk/pa/cm201213/cmselect/cmworpen/writtev/576/contents.htm

- Security of online claims – not uncommon for couples in a relationship to have access to **each other's online log-in details**. Women's refuge organisations are concerned that in **cases of domestic violence** – there must be a robust system whereby people in such a situation can notify the department of a change in circumstances and restrict the partner's access to information.

Monthly Payment of Universal Credit

- Overall support for the principle of developing financial capability and budgeting skills. However, a substantial number of the submissions felt that monthly payment of UC would cause **budgetary difficulties** for claimants.
- A substantial number of people on lower incomes are currently **paid on a weekly or fortnightly basis** and budget accordingly.
- Benefit recipients are often excluded from access to **mainstream financial services and affordable credit**, a concern that monthly payments would lead to **increased levels of debt** and in some cases households accessing **alternative finance** via e.g. loan sharks or door stop lenders, overdrafts etc.
- Monthly payment contradicts the Government's promotion of **choice and non-interference** in household money management.
- Monthly payments **more likely to hit women harder**, as the 'shock absorbers' of poverty women are more likely to go without when household finances are stretched.
- Significant number of responses called for the Government to permit **UC to be paid on a more regular basis** (e.g. fortnightly) if a household wishes to choose this option.
- Providing choice to claimants on the regularity of payments would be **more efficient and prevent frontline staff having to make decisions** as to which vulnerable groups are eligible for more regular payments.
- **Limit on the backdating of payments** will have repercussions for vulnerable claimants who have an underlying entitlement but for various good reasons (e.g.; homelessness, mental health issues) delay their claim.
- The lengthy period between applying for UC and actually receiving benefit payment has serious repercussions for survivors of domestic abuse e.g. could leave them with **no resources for a considerable period of time** and **leave supported housing providers with significant cash flow problems**. For example, the level of arrears for refuges will increase if a woman receives one month's housing benefit in arrears and have already left the refuge accommodation.
- Concerns about the payment date for UC being fixed in relation to the date of the claim – many **direct debit arrangements are inflexible** about the date in which payments can be made.
- Bank accounts – DWP must **work with banking institutions** to ensure that **appropriate accounts** are available and tailored towards UC. Some viewed this is

an opportunity for UC to be used as a catalyst for improving banking products for low income households.

- DWP should **work with social housing providers** to devise **suitable financial options** for customers such as budget training, mandatory bank accounts as conditions of tenancy etc.

Payment to one person in the household

- DWP state that exceptions to payments made directly to the household are not detailed in the Regulations, but will be **in guidance**.
- Concern that nominating one person in the household to receive payment will impact on the **economic autonomy of women**. A particular issue for people in **domestic abuse situations** in which control and financial abuse are issues. Evidence suggests that in low incomes households money spent on children's needs tend to be **via the purse** rather than the wallet.
- May **interfere with the equality balance of relationships** and result in one partner not gaining or practicing financial capability. Equality and sharing of resources cannot be assumed to be a feature of all households even those with joint bank accounts.
- Couples should be able to **choose to split the UC payment** with payments relating to children given to the **main caregiver**.
- **Joint claims** – will cause difficulties in e.g. situations in which **one partner refuses to sign the claimant commitment**, this will have a detrimental impact on the whole household; situations in which one partner provides incorrect information without the knowledge or endorsement of the other; or situations in which a claimant has left an abusive partner and does not want them to have access to their financial details.
- **Joint claims and bank accounts** – some households lack a bank account or do not have a bank account from which direct debits can be deducted (e.g. post office accounts).
- A payment to the household may **disempower women** and where one partner in the relations is **financially irresponsible**; it will remove the safeguards that ensure that payments for children and housing costs are used for those purposes.
- Concern about the **level of discussions between DWP and the advice sector** on UC and the **absence of an advice strategy** to accompany the implementation plans for UC. Urgent attention is needed to **build the capacity of face-to-face advice** services to meet increased demands.
- At the very minimum UC **should be split between couples** and that payments for children should be paid directly to the **main carer**.
- **Social Market Foundation** – found that the majority of interviewees in their research welcomed the introduction of a single payment as a means of simplifying the system. However. The single payment would **aggregate the risk of a systems failure**, i.e. as it currently stands the multiple income streams in the benefits and tax

credits system means that if one part of the system fails, claimants are not exposed to so much financial risk.

Direct Payments to Landlords

- DWP has initiated a **series of demonstration projects** in order to assess the impact of paying household benefit directly to social tenants. It is said that the project will provide DWP will the opportunity to test the support required to assist claimants with budgeting and to test what safeguards are necessary to protect landlord revenue streams;
- **Northern Ireland Welfare Reform Group** has expressed concern about the housing element being paid directly to tenants. Unlike in GB, NI direct payments to landlords **make up the majority of cases** and NIWRG supports the continuance of this method of payment.
- Whilst many consultees are **supportive of promoting claimant responsibility** and budgeting skills – there is concern that paying household benefit to claimants will lead to an **increase in rent arrears** and **claimant debt**. There is also widespread concern direct payments will **comprise the ability of social landlords to access private funding** for future housing development.
- There is concern that increasing rent arrears will lead to an **increasing number of evictions** which will then put **pressure on other services** e.g. housing providers, homelessness services, social services etc.
- Under current plans there is capacity for housing benefit to be paid directly to the landlord for vulnerable groups – consultees are calling for **greater clarification on the definition of ‘vulnerable’**.
- Consultees called for an **efficient ‘switch back’ mechanism** whereby if a tenant is falling into rent arrears (e.g. two month arrears) payment will revert back to the landlord.
- The plans for how **supported accommodation** will fit in with UC have yet to be clarified and that this is causing considerable concern amongst providers in this sector.
- There is also concern amongst the supported housing sector with regards to the changes to **service charges** in relation to the new housing element of UC. The sector would wish to see the new services charging arrangements continuing to cover the same range of services as it currently does.
- **Housing Associations** should be considered as **‘trusted intermediaries’** in being able to verify that a tenant is vulnerable and requires direct payment to the landlord.

Support and Advice Provision

- **DWP** states that it recognises some claimants many need additional help to budget particularly during the transition phase. It states that work is underway with the

advice sector to ensure claimants are able to **access appropriate budgeting support services**.

- Consultees agree that a comprehensive support package must be put in place to **improve the IT and financial literacy** of claimants.
- There will be high demand for independent advice services during the UC transitional arrangements **public funding must be available** for such services to meet increasing demand.
- Where people wish to move to monthly budgeting the most effective form of help may be **peer to peer practical support** e.g. from Sure Start and children's centres.
- Some client groups (e.g. survivors of domestic violence) have **complex needs** and may need specialist support and advice from within the sector.
- Move to UC will be a substantial challenge for **social housing providers** in terms of support for their clients; this may mean that new posts may need to be created. There is a call for funding to be available to manage this process.
- UC claims for **self-employed individuals will be complex – specialist advice** will be needed.
- It is important that funding for face-to-face and telephone support is **adequately resourced**.

Progress on the development of the IT system (e.g. Real Time Information System; PAYE taxation)

- **DWP state – design of the IT system is in its closing stages** with the 'build plan' on track to complete by end of October 2012; rigorous IT testing has commenced and will continue until Feb 2013; Oct 2013 will see the start of the core UC service introduced incrementally in each region; contingency plans – there will be robust standby arrangements which will enable the IT system to be fully recovered within a short period of time. Real Time Information (RTI) – HMRC is on track for a number of schemes to be reporting PAYE in real time by the end of Sept with further expansion by Nov. By March 2013 around 6m individual records will be reported in real time by up to 250,000 PAYE schemes.
- **Northern Ireland Welfare Reform Group** – believe the monthly reporting requirement under the new system is **unnecessarily onerous** and does not recognise the way in which many **small self-employed businesses** work.
- There may be a potential difficulty with the **Identity Assurance process** (i.e. whereby claimants must prove their identity before accessing the full UC application and maintenance of claim process). Who will be appointed to provide this process, private sector companies? Will documentary evidence form part of the claims process?

- One consultee highlighted that there is a **misunderstanding of the technical challenges facing government** – RTI project will re-use existing infrastructure, it is not the development of a new IT system from scratch.
- Important to recognise that DWP is an enabler in the new IT process and that others have a role to play e.g. HMRC, the banking industry.
- Other issues raised included – details as to how **fraud and error will be eliminated** from the system (particularly organise crime); ensuring that the **IT system matches up with appropriate financial packages and bank accounts** (which enable isolation of certain benefits such as the housing element); the need for a detailed **business process analysis** before the IT system is rolled out.
- Councils were concerned about the impact the IT system would have on the **existing IT contracts** it has with software suppliers and the potential decommissioning of such systems.
- There is concern about the **outsourcing of the administrative elements of UC** – concerns about the misuse of information and the security of people's personal details if parts of the system are outsourced.
- Online applications processes need to be in **plain English**; customers should be able to read the forms online before filling them in; there should be an option to re-read the form before submitting it; there should be an option to print the form and fill it in by hand if the customer prefers this option.
- There should be consideration in the design of the IT system for **people with a range of disabilities and impairments** and for individuals for whom **English is a second language**.
- Concerns around whether the IT system will be able to cope with **complex circumstances or will be able to identify vulnerable clients** and that sufficient support will be available.
- **Potential impact on the self-employed/small businesses** – currently the system is based around yearly returns of income – under the new system reporting on a monthly basis will be **onerous for the self-employed or small business owners**. Businesses reporting online – arguments that one in ten businesses don't use the internet.
- **Transition of tax credit debt** – will the new system be blighted by the transfer of inheriting the £m of debt that may have accumulated in tax credits?

Claimant Commitment, Sanctions and Hardship Payments

- DWP state that if a claimant refuses to accept a claimant commitment **they will not be entitled to UC**. There are four levels of sanction in UC and the level of sanction will depend on which conditionality group a person falls into. Sanctions will not be applied if a claimant can show good reasons for non-compliance.
- **General support for the concept of a claimant commitment** and a means of enabling claimants to understand what is expected of them in order to qualify for UC.

- **Northern Ireland Welfare Reform Group** state that NI **lacks the childcare infrastructure** to facilitate the large scale movement into work and there is currently no statutory obligation for public authorities in NI to provide high quality, affordable childcare.
- NIWRG are also concerned that the timetabling for the start of the **Northern Ireland Employment Programme** and the implementation of UC are tight.
- Anticipating that there will be a **high level of appeals** against sanctions and an **increase in demand for independent support and advice**. Concerns about whether there will be sufficient funding for this.
- Welcome the inclusion of young people (i.e. 16 and 17 yr olds estranged from their parents) as a group entitled to UC but concerns as to how sanctions will be applied to this group.
- Must be assurances that advisers and decision makers are **aware of the regulations on parental and carer flexibilities** in terms of job searches and sanctions under UC. There is a feeling that staff are not always up to date with the regulations.
- Many consultees appreciated that hardship payments will be available but concern that **these must be repaid in full and that eligibility criteria is restricted**. There is concern that claimants may be forced to look to other sources for financial support – e.g. clothing and food banks; door step lenders.
- Backdating of claims – proposed list of circumstances in which **backdating of payments** will be allowed for UC is believed to be more restrictive than the current rules for IS and JSA – concern that this has the potential to create further hardship.
- Proposed reporting procedures will place an **additional bureaucratic burden on the self-employed**. UC Regulations require a claimant to be in genuine self-employment which is being carried out in the expectation of profit. It is unclear how DWP will equip its staff to make informed decisions in this difficult area.
- The proposed **system of sanctions may be too complex for vulnerable claimants to understand**.
- Concerns regarding the treatment of joint claims **where one member of a couple refuses to agree to their claimant commitment**. The refusal to accept the claim could **unfairly disadvantage the willing partner and cause severe financial hardship for children within the household**.
- Concerns expressed regarding the **additional administrative burden** the claimant commitment and sanctions regime place on staff.
- Sanctions could impact adversely on the councils (in GB) and landlords in terms of **council tax and rent collection arrears** and the extra administration and financial burden associated with collecting arrears.

Income Entitlement of Disabled People under Universal Credit

- Northern Ireland Welfare Reform Group is strongly opposed to the Government's decision to **reduce eligibility for PIP by 20%**. State that the migration from Incapacity Benefit to ESA and the stricter conditionality under PIP may **undermine quality of life for disabled people**.
- NIWRG believe that **severe disability premium should be replicated within UC** to ensure that those households in which disabled people have no other adult to look after them are able to receive support.
- The Welfare Reform Act 2012 replaces the disability element of Child Tax Credit with a '**disability addition**' for children. NIWRG welcome the change for severely disabled children to receive a slight increase from the current rates but suggest that the majority of children with disabilities could end up receiving less than half of the current rates under UC.
- Concern that any reduction in benefits for disabled people may lead to rent arrears, evictions and increased homelessness applications. A number of council in GB expressed concern that the **may not have the local authority housing stock available with the specialist adaptations** need to rehome disabled customers.
- Concerns that the **cumulative impact of some of the wider welfare reforms** will have a negative impact on the income of disabled people. Some suggested that the "cuts" to welfare payments and more stringent criteria for PIP will mean that more disabled people will fall into poverty.
- Age UK are concerned that changes such as the abolition of the severe disability premium and time limiting of contribution based Employment and Support Allowance (ESA) will have an **adverse effect on some disabled people approaching retirement**.

Impact of changes to local authorities (budgets, staff, advice and support services)

- DWP state that **Local Authorities are fully engaged** at all levels in the design, development and implementation of Universal Credit. The programme has begun to engage all Local Authorities in respect of their detailed plans for Universal Credit related business change and is sharing thinking on migration proposals through Local Authority engagement forums.
- DWP also states that it is working with Local Authorities to understand the **full staffing implications of the transfer of Housing Benefit** administration to Universal Credit but state that it is still too early to say how many staff and what skills and experience will be required for UC.
- There is concern that the role of **housing benefit officers will be downgraded or ended** entirely when HB is absorbed into Universal Credit. Local councils argued that many issues arising with claimants and housing benefit **involved the application of local knowledge and discretion**. There is a concern that this will be

lost under UC arrangements. It was argued that at the very least housing benefit officers should be retained as **a local point of contact** for complex cases during the implementation phase of UC.

- Currently social housing providers work closely with housing/housing benefit officers to support claimants with their initial claim and when their circumstances change. The change in service provision from local authorities to DWP will **disrupt channels of communication** and risks cutting the landlord out of the loop thereby restricting their ability to assist vulnerable tenants.
- Main anticipated pressures on local authorities summarised by CoSLA as follows: **loss of front and back office efficiencies**; costs of large scale **re-engineering of IT** systems and interfaces; adverse impact on **Councils' workforce**; increase in arrears and collection costs which will put **pressure on local authority budgets**; and resource pressure to provide additional communication and advice to individuals about the switchover to Universal Credit.

Level of earnings disregards

- DWP state that the rates of the earning disregard are **still to be finalised** but will be **set in line with Government spending commitments**.
- Consultees that commented on earning disregards were generally supportive of the concept.
- Northern Ireland Welfare Reform Group - did not support the rationale for giving a **lower disregard to claimants with UC with housing costs** and stated that having minimum and maximum disregards would only add complexity to the calculation of UC despite the aim of simplification.
- **Introduction of a capital limit for in work claimants** – UC will use the capital rules for Income Support, meaning that households with savings in excess of £16,000 will lose all entitlement to support. NIWRG believe that this will render it difficult for many working families to save, e.g. for a deposit for a house.

Passported Benefits

- DWP stated that the introduction of Universal Credit represents not only a **challenge** for Departments and organisations with responsibility for passported benefits, but also a **unique opportunity** to consider more fundamental reform to simplify and streamline some passported benefits in future.
- DWP stated that it continues to work closely with those Government Departments responsible for passported benefits as well as the **Devolved Administrations** and other providers as they develop their thinking around new eligibility criteria.
- Some commented that a simpler and fairer system that bases entitlement for passported benefits on an **income or earnings threshold** rather than on **entitlements based on receipt of certain benefits**. Such an integrated and

streamlined system may reduce some of the administrative burdens currently associated with many passported benefits.

- A significant number of consultees who commented on passported benefits focused on the potential **impact of UC on free school meals**. Some suggested that registration for FSM should be an integral part of the UC system and was an opportunity to simplify the FSM application process.
- Argument that free school meals **must remain a 'benefit in kind'**, if families are given cash payments for school meals it is more likely that children will spend this on poor quality fast food or confectionary rather than school meals.
- If disabled person becomes no longer eligible for certain elements of UC, they are more likely to **lose several passporting benefits** at the same time which will be difficult to cope with (e.g. free travel or travel concessions, reduced fees at leisure centres). The **cumulative financial impact** will be much greater than the loss of the initial benefit payment.
- Work incentives will be further undermined if the withdrawal of **passported benefits introduces new cliff edges** into UC.
- **Prescription charges and exemptions for some patient groups** (in England) – passported benefit of remission of prescription charges is absolutely vital, withdrawal might lead to people on low incomes having to prioritise which medicines they need the most.

Priorities for Monitoring the Impact of Welfare Reform

- DWP state **that a framework to monitor and evaluate the impact of Universal Credit is being developed**. The focus will be on ensuring delivery supports the core aims of Universal Credit to: improve work incentives; smooth the transitions into and out of work; simplify the benefits system; reduce in-work poverty; reduce fraud and error.
- To support initial preparation and transition through to Universal Credit **a number of trials are being carried out into** - running a series of live innovation trials to test out aspects of the claimant experience which expect to deliver under Universal Credit; delivering and evaluating a series of **Housing Demonstration Projects** to trial direct payment of Housing Benefit, in preparation for the introduction of Universal Credit ; and, developing and evaluating a suite of Local Authority–led pilots to both help improve service delivery and collaboration and to minimise some of the delivery risks to Universal Credit.
- DWP states that it is **firmly committed to evaluating and monitoring** the impact and effects of Universal Credit which will include the development of a **wide-ranging evaluation strategy**.

Suggestions for areas of monitoring from consultees:

- **Impact of UC on single parents** and how this compares to other household types; monitoring applications for hardship payments and reasons for refusal.

- Monitoring of **free school meal registration**.
- The **impact of CPI** formally reviewed with the linking of LHA rates to the 30th percentile (a larger correction than this may be necessary).
- Housing providers **average rent arrears; number of evictions** on grounds of rental arrears; percentage of total claimants using the online self-service portal to manage their claims; cost impact of support provided to individuals unable to manage their claims; number of cases whereby payment of the housing element of UC has reverted back to the landlord as a result of rent arrears.
- Longer term – **overall numbers of UC claimants**; percentage of UC claimants **moving into work**; number of cases involving **fraud and error**; incidence of **child poverty**.
- Proportion of **self-employed who fail to meet the monthly submission dates**; the **quality of advice given to self-employed claimants**; monitoring the number of employers who fail to meet the **RTI reporting arrangements**, determining common reasons for failure.
- **Satisfaction with the new system; level of access to the new IT system** (particularly in rural areas); **rent arrears in the social housing sector**; number of tenants **requiring budgeting ‘top-ups’**; number of evictions in social housing as a result of rent arrears; **number of homelessness cases**; number of requests for **Social Fund assistance**.
- Monitoring whether UC has resulted in **disabled people experiencing a loss or reduction in independence**; community participation; choice in a place of residence; standard of living; whether disabled people’s human rights have been eroded as a result of the welfare reform programme.
- The **timescales of processing benefits**; the impact upon **women’s access to refuges** and funding necessary to do so; **requests for separate payments** to each member of a couple.

Annexe 1:

Written evidence submitted by Northern Ireland Welfare Reform Group

1. About the Welfare Reform Group

The Welfare Reform Group is an umbrella grouping of organisations that campaign for positive changes to policy, service provision and legislation for those in receipt of social security while also providing advice and support to other advice giving organisations and disadvantaged persons in their capacity as individual members of the Group.

The Group supports an equality and human rights-based approach to the provision of social security which demonstrates an understanding of and focus on the needs and choices of all in receipt of benefits. In this paper we outline the significant equality issues likely to be presented by implementation of the draft Bill in Northern Ireland.

This response has been prepared by the following organisations:

Action for Children

Advice NI

Belfast Unemployed Resource Centre

Carers NI

Citizens Advice NI

Council for the Homeless NI

Disability Action

Housing Rights Service

Irish Congress of Trade Unions

Mencap

Niamh Wellbeing

Law Centre NI

Causeway Women's Aid

Women's Resource and Development Agency

Introduction:

The NI Welfare Reform Group welcomes the opportunity to comment on the progress towards implementation of Universal Credit. This response addresses some UK-wide matters

arising from the introduction of Universal Credit and also focuses on specific Northern Ireland issues.

The NI Welfare Reform Group welcomes the principles of Universal Credit to simplify the benefit system and to make work pay. We remain unconvinced, however, that the introduction of Universal Credit and the additional changes under Welfare Reform Act 2012 will in effect protect the most vulnerable within society.

We are concerned that the level of benefit remains to be set at this late stage in the policy and legislative process. Unquestionably, the base levels must be viewed in tandem with the £18 billion of savings already announced from 2010 and the intention to making further substantial savings from 2015/2016 onwards.

We provide further insight into our thoughts below.

Northern Ireland Circumstances

Northern Ireland presents particular circumstances with regards to welfare reform and arrangements to move people into employment. Crucially there are specific Northern Ireland issues that need to be examined, including the lack of a childcare strategy and infrastructure, a higher extent of health problems in particular mental health problems, proportionately larger numbers of benefit claimants in receipt of Incapacity Benefit, Employment and Support Allowance and Disability Living Allowance, the projected longer time of economic recovery and that Northern Ireland is the only part of the United Kingdom with a land border with another EU member state. As a result co-ordination of social security systems for cross-border workers is essential and classification of Universal Credit for European Law purpose is particularly important. While the Department for Social Development is unlikely to move away from the major welfare reform proposals, it is possible that a different approach may be taken to conditionality, contracting out of the employment programme and a number of the other initiatives contained within the Welfare Reform Act 2012.

Claiming online

The NI Welfare Reform Group is concerned about the over reliance on on-line claiming which could leave claimants bereft of benefit if the system were to break down, as has occurred in the past with large scale Government IT projects. The use of 'real time data' for employees and the amalgamation of benefits for adults, children and housing costs heightens the risk of destitution should a failure occur. We are concerned that there is no provision in the draft regulations for situations where the system breaks down.

In addition, the proposed system assumes a certain level of IT literacy whereby claimants should be able to initiate and manage their Universal Credit claims, which ignores the fact that many vulnerable people who will be utilizing the system may not have the capability to do so. A claim made online is not instigated until the form is fully completed and submitted. This process may be complicated further by the need to submit additional evidence with the application. In order to safeguard this process, the DWP computer system for recording communication and providing notifications must be clear and provide for system failures, human error and problems with software.

Moreover, the Continuous Household Bulletin found that only 71% of adults in Northern Ireland had access to the internet in 2010/11, while this fell further to 66% of adults with access to the internet at home. [1] Figures also show significant differences between the socio-economic status of head of households. [2] The most recent UK wide report in relation to internet access is the Internet Access Quarterly Update 2011. [3] This report found that internet use is linked to various socio-economic and demographic characteristics, such as age, disability and location. Groups of adults who were more likely to have never used the Internet included people over 65, people who have been widowed and people with a disability. The region where people were least likely to have used the Internet was Northern Ireland, where 28.6 per cent had never done so.

Delivery Issues

It is of particular concern to the NI Welfare Reform Group that Universal Credit will be paid as a single payment to a nominated person in the household. It is estimated that in 80% of cases the nominated person will be the man for most claiming families [4]. This proposal will impact on women's economic autonomy. Furthermore, substantial evidence exists demonstrating that particularly in low income households money spent via the purse is spent on children's needs compared to money spent from the wallet. [5] For women who live with domestic violence and abuse, reduced economic autonomy is a further barrier in trying to remove themselves (and children) from unhealthy and dangerous relationships. We strongly contend that Universal Credit should therefore be paid to the main carer in the family. Another solution would be to allow split payments between joint claimants so that payments for children could go to the main carer, usually the mother, and payments for housing costs to the person principally responsible for the rent and liable for debts accrued (where there is a joint tenancy).

We are also concerned that Universal Credit incentivises work for the primary worker (more likely to be a man) in workless households and in many circumstances weakens the work incentive for the second earner (more likely to be a woman). [6]

We understand that options for the future treatment of the rates element of Housing Benefit are still being considered by the Northern Ireland Executive Sub-committee on Welfare Reform. We hope, however, that a decision will be made in the near future in order to clarify details of the replacement scheme. We are also awaiting the outcome to the call for evidence by the Department for Work and Pensions on Supporting Mortgage Interest (which closed on 27 February 2012) but which is expected to confirm that the maximum amount of Universal Credit will include an amount for housing costs, including mortgage interest.

Universal Credit Awards

As we understand, a lone parent under 25 will receive the same standard allowance as a single claimant without children. We believe that this constitutes a significant cut for lone parents and their children which will have a detrimental impact on their income. At present lone parents aged 18 or over receive the same personal allowance as single claimants without children aged 25 or over.

Earnings Disregards

We do not support the rationale for giving a lower disregard to claimants with Universal Credit housing costs. Having minimum and maximum disregards will only add complexity to the calculation of Universal Credit despite the aim of simplification. Lower disregards for those with the housing element may also act as a disincentive for those claimants to work. Furthermore, will a claimant's earnings disregards be upgraded during a dispute about eligibility for housing costs and will a recoverable overpayment arise if housing costs are restored? We believe further clarification is needed in this regard.

Abolition of the Severe Disability Premium.

The NI Welfare Reform Group is strongly opposed to the Government's decision to reduce eligibility for Personal Independence Payment (PIP) by 20%. Reductions of this size will compromise the dignity and independence of disabled people and those with long-term conditions who are able to live independently. In addition to clear implications for disability poverty, the extent of these reductions will undermine disabled people's quality of life and the Government's objectives to promote independent living. Furthermore, migration from Incapacity Benefit to Employment and Support Allowance and stricter conditionality under PIP will result in disabled persons moving into areas of the social security system which they have not previously been present. We would, therefore, welcome sensitizing of the operation system and enhanced staff training as to the difficulties that persons with disabilities might have understanding and navigating the system.

The NI Welfare Reform Group is concerned at the proposal to abolish the severe disability premium (SDP) and the enhanced disability premium under Universal Credit. Disability premiums recognise the extra cost associated with a disability. The severe disability premium is currently worth £58 per week, while the disability element of Working Tax Credit is worth about £54 per week. Together with the introduction of PIP of which 500,000 less people will qualify, these changes will impact on many disabled claimants in contradiction of the government's stated aim of protecting the most vulnerable.

Young carers looking after disabled lone parents will also lose out with these new measures. The payment of SDP to lone parents where there is no non-dependant in the household helps to address the current unfairness that children and students are not entitled to receive any Carer's Allowance for looking after a disabled person. We believe that the SDP should be replicated within Universal Credit, in order to ensure that those households in which disabled people have no other adult to look after them are able to receive support towards the additional costs that this creates. We are concerned that the transitional protection provided will not sustain sufficient long term safeguard.

The Welfare Reform Act 2012 also replaces the disability element of Child Tax Credit with a 'disability addition' for children. While we welcome the change for severely disabled children to receive a slight increase from current rates, the majority of children with disabilities could end up receiving less than half of their current rates under Universal Credit. [7] A Contact a Family Report [8] in 2012 found that 41% of parent carers responding to their survey in Northern Ireland had taken out a loan to help with expenses and 54% had fallen behind with bill or mortgage payments.

Introduction of a capital limit for in work claimants

Despite combining both the Tax Credit and Income Support systems, Universal Credit will use the capital rules for Income Support, meaning that households with savings in excess of £16,000 will lose all entitlement to support. This will render it difficult for many working families to save, e.g. for a deposit for a house. The capital rules will also penalise savers who are currently entitled to substantial tax credit awards, such as working parents with substantial childcare costs. It is likely that older working age claimants are most likely to be affected by this change and that it runs counter to the government's desire to encourage saving for retirement.

Childcare

Parents of disabled children often struggle to find affordable childcare which is suitable for their children's needs. Whilst Universal Credit will include a childcare costs element, we believe that Universal Credit should include a higher disabled children's childcare element to recognize the additional costs of childcare for disabled children.

Direct Payments

The NI Welfare Reform Group is concerned by the proposal for the housing element of Universal Credit to be paid directly to tenants. Unlike in GB, in Northern Ireland direct payments for Housing Benefit to landlords are made in the majority of cases and we would support the continuance of this method. Direct payments to landlords are crucial for the viability of many social housing schemes, and where there are rent arrears in private and social tenancies.

While we welcome the commitment in the explanatory notes of the draft regulations to continuing direct payment to landlords for the most vulnerable, we are concerned about the lack of detail available on what factors will be considered in determining vulnerability. DWP has indicated there will not be blanket exemption and that direct payments will be decided on a case-by-case basis. Will this include those assisted through Supporting People? We would welcome further clarification on this matter.

Monthly payments

While the NI Welfare Reform Group supports the principle of financial capability and developing budgeting skills, we are concerned that claimants will experience difficulties budgeting on a monthly basis. We note the government's rationale for the move to monthly payment to reflect the typical payment periods of earnings for working households. This, however, is not the case for a substantial number of families on lower incomes who are often paid weekly or fortnightly. Stretching low income budgets over four weeks could exacerbate budgeting problems and potentially lead to increased debt levels amongst those who are financially vulnerable. Benefit recipients are often financially excluded from access to mainstream financial services and affordable credit which also precludes the reality of people's lives regarding budgeting options. This could cause them to become more exposed to other lenders.

Furthermore, monthly payments could also disempower many women and remove safeguards that payments for children and housing costs are used for purpose, where one partner in a

couple acts irresponsibly. We would welcome more detailed provision in the regulations for variance from default monthly payments to the household, rather than reliance on the discretion of decision-makers.

The Consumer Council for Northern Ireland published a study in 2007 which reported that people in Northern Ireland have lower levels of financial capability than consumers elsewhere in the UK. [9] Yet, currently there is no financial inclusion and capability strategy in Northern Ireland and this will require commitment from the Northern Ireland Executive in order to resource initiatives which aim to raise financial capability levels in the region.

Conditionality & Sanctions

The Welfare Reform Act 2012 reduces the point at which single parents will be required to seek work still further to when their youngest child reaches their fifth birthday. We are very concerned that compelling single parents to seek and take up any job, as soon as their child enters school will actually limit their long-term career prospects and ability to increase their income through work; in particular because the opportunities for skills development once on Jobseekers Allowance are quite restricted.

Northern Ireland lacks developed childcare infrastructure in place to facilitate the large-scale movement to work as envisaged by DWP. The significant progress made over the past fifteen years in Britain has not been mirrored in Northern Ireland. Unlike in England Wales, where the Child Care Act 2006 imposes a statutory duty on local authorities to identify and meet childcare needs, Northern Ireland has no corresponding childcare legislation and there is no statutory obligation on local or public authorities to provide high quality and affordable childcare and still no agreed childcare strategy or even a Department with a lead responsibility on this issue. The barrier this places on parents' ability to enter the workplace cannot be underestimated. Much of the welfare reform proposals for both lone parents and working age couples are underpinned by the assumption of sufficient readily accessible and affordable childcare. Universal Credit will fail to get the targeted people into work in Northern Ireland if these barriers to the workplace are not effectively broken down.

The Work Programme was launched in Great Britain in June 2011 and has faced multiple challenges, for example, with concerns over sanctions for young people who leave a 'voluntary placement' early. The Department for Employment and Learning's new employment programme *Steps2 Success* was published on 23rd July and is currently out for consultation, with any equivalent not expected to happen until at least October 2013. A recent report published has worryingly found it 'feasible but very tight' for the new Northern Ireland Employment Programme to start at the same time as Universal Credit. [10]

In addition, we anticipate that there will be a substantial number of appeals against sanctions and loss of income forcing many to obtain advice, evidence and representation from advice organizations or other professionals. At present advice services are under exceptional pressures as a result of the welfare reform changes and this will undoubtedly continue during the parliamentary passage of the Northern Ireland Welfare Reform Bill. This is all happening at a time when the voluntary and community sector is experiencing funding cuts. We are concerned that the voluntary and community advice sector will not have the capacity or resources to provide claimants with advice due to the large caseload.

Carers

The NI Welfare Reform Group believed that the development and introduction of Universal Credit was an opportune time in which to improve resources for carers that was not wholly utilised.

We welcome the Government's decision to replicate the carer premium in the means-tested Universal Credit; with a 'carer element' for recipients with 'regular and substantial caring responsibilities'. In addition, we welcome the decision to enable Universal Credit claimants to qualify for the carer element without having to make a claim for Carer's Allowance. For carers who would be entitled to the carer element, but not for Carer's Allowance, this will remove the confusing bureaucratic necessity of applying for a benefit they are not entitled to receive in order to gain access to other support which they are entitled to receive.

We are disappointed, however, that under Universal Credit, claimants will only be able to receive either the LCW/LCWRA element or the carer element which is overly restrictive. This means that claimants will either not be entitled to recognition of their disability or of their caring responsibilities. The fact that a claimant has LCW or LCWRA does not necessarily preclude their regular and substantial caring responsibilities. In fact, analysis of the 2001 census shows that people caring 50 or more hours per week in Northern Ireland are twice as likely to suffer from poor health as non-carers (20 % against 9%). In addition, those providing 50 hours or more care per week are more than twice as likely to be 'permanently sick or disabled' as those not caring (11% against 5%).

In particular, carer's incomes could be significantly affected by the carer/LCW elements being exclusive and the loss of the severe disability premium which will not be replicated in Universal Credit

Self Employed

The monthly reporting requirement of income and expenditure is unnecessarily onerous and does not recognize the way many small self employed businesses work. As the Minimum Income Floor will be introduced after 12 months and the Start Up period can only be availed of once, these too will also create undue barriers to pursuing self employment as many small businesses take more than 12 months to become fully viable. Moreover, an initial business failure should not automatically preclude a grace period before the MIF applies again.

Young People

The NI Welfare Reform Group welcomes the inclusion of young people who are estranged from their parents as a group entitled to Universal Credit. As a vulnerable group the provision of support is vital to ensure their transition into adulthood.

We are concerned, however, that clarification is required about the conditionality and sanctions that will be applied to these groups of 16 and 17 year olds. Under the current Income Support rules young people are required to do 12 hours per week of further education but there is no detail in the explanatory notes of what it will be under Universal Credit. We would welcome further clarification on this matter.

Impact Monitoring

We believe that the rights of children have been overlooked and will be severely compromised by the provision of the Welfare Reform Act 2012. It is estimated that there will be a substantial increase in the number of vulnerable families with children between 2010 and 2015 as a result of the changes in tax and benefits, spending cuts and the ongoing effects of the economic downturn. Research estimates that the incidence of several vulnerabilities will increase by 120,000 more worklessness families, 100,000 more families living on a low income, 25,000 more families in material deprivation and 40,000 more families living in poor quality or overcrowded housing. [11] Furthermore, in a recent report by the Northern Ireland Children Commissioner, it was predicted that at least 6,500 children in Northern Ireland alone would be affected by the benefit cap. [12]

Conclusion

The NI Welfare Reform Group welcomes the opportunity to respond to this consultation. We trust you will find our comments helpful. If there is any further way in which we could contribute to this process we would welcome the opportunity to do so.

23 August 2012