

Work and Pensions Committee inquiry into Universal Credit: the wait for a first payment

Submission from the Poverty Alliance, 17th April 2020

About the Poverty Alliance

The Poverty Alliance is Scotland's anti-poverty network. Together, we influence policy and practice, provide evidence through research, support communities to challenge poverty and build public support for the solutions to tackle poverty.

Our members include grassroots community groups, activists who are experiencing poverty, academics, large national NGOs, voluntary organisations, statutory organisations, trade unions, and faith groups.

Background

The Poverty Alliance welcomes the opportunity to respond to the Work and Pensions Committee's inquiry into the wait for first Universal Credit payments.

The inquiry is a timely one, given the unprecedented increase in the number of people who have applied for Universal Credit in the last four weeks as a result of the economic impact of Covid-19. While recent steps have been taken by the UK Government to boost the level of support provided by Universal Credit, it is clear that the ongoing Covid-19 crisis has shone – and will continue to shine - a light on the overwhelmingly detrimental impact of the five week wait and the insufficiency of the current advance payment system.

Our response has been informed by several research and engagement projects that we have led and participated in. These include a research project that we have undertaken with researchers from the University of Glasgow on the experiences of claimants and of Department for Work and Pensions staff in accessing and delivering Universal Creditⁱ, the findings of the Menu for Change project (of which we were project partners) which focused on the drivers of food insecurityⁱⁱ, as well as insights from our Get Heard Scotland initiative, which is a community engagement initiative aimed at understanding what's working, what's not and what needs to change to better tackle poverty in Scotland.ⁱⁱⁱ

Summary of key points

- The five week wait for first Universal Credit payments has been a key driver of poverty, destitution and food insecurity across the UK in recent years.
- The five week wait is the most negative aspect of Universal Credit for most claimants.

- Many claimants feel deep anxiety about accepting advance payments but do so in order to avoid rent arrears and hunger.
- The repayment of advance payments – particularly when combined with accrued rent arrears and other debts - often leads to long-term income crisis and financial insecurity.
- All advance payments should be made non-repayable, with this action being even more pressing given the unprecedented numbers of people now applying for Universal Credit as a result of the Covid-19 crisis.

Responses to inquiry questions

1. **To what extent have the mitigations the Government has introduced so far (e.g. advance payments) helped to reduce the negative impact of the five week wait for UC claimants?**

What problems do claimants still experience during the five week wait?

Universal Credit as a policy was initially intended to, among its key aims, prevent poverty. This was an aim that the Poverty Alliance – along with many other anti-poverty organisations across the country – supported. However, since its introduction, due to a number of policy design and delivery failures, it has entirely failed to achieve this aim.

Chief among the failures has been the in-built five week wait for first Universal Credit payments, which has acted as one of the major drivers of poverty and destitution across the UK in recent years. As detailed in Menu for Change's *Found Wanting* report, the five week wait has been one of the key factors forcing people into income crisis and food insecurity in recent years, and has led to significant increases in food insecurity.^{iv}

The wait has – for too many people – meant that they have been forced to rely on family or friends to get by or have been forced into using food banks in order to meet their most basic of needs. Research that the Poverty Alliance has undertaken with the University of Glasgow on the experiences of Universal Credit claimants in Glasgow found that the five week wait was the most negative aspect of Universal Credit for many people.^v

The introduction of advance payments was a clear recognition by the UK Government that the five week wait was not working and was causing serious hardship for vast numbers of people. However, the evidence clearly shows that advance payments are not enough in meeting the needs of the overwhelming majority of Universal Credit claimants and that a new approach is required.

Our forthcoming research on Universal Credit in Glasgow, for example, found that despite anxiety over how they would manage repayments, most participants took advance payments in order to avoid immediate rent arrears and hunger. However, the majority then reported serious challenges in managing repayment deductions, causing significant and ongoing financial hardship. Unlike Jobseeker's Allowance (which has a seven day waiting period), there is an assumption underpinning Universal Credit that claimants will be financially able to meet their living and housing costs during the first five weeks of their claim. However, our

research found that most claimants did not have savings or pay from a previous employment which covered this five week period.

The research also found that a number of the research participants were struggling financially several months after first being interviewed and were particularly affected by deductions due to advance payment repayments often have to manage this alongside deductions for rent arrears and other debts (e.g. Council Tax). Some reported having to continue to borrow money from friends and family, going without food, and struggling to pay for their rent.^{vi}

Advance payments may help to stave off the worst impacts of poverty and destitution in the short-term, but it is clear that the need to repay the advances often prolongs the financial issues that claimants experience; turning their short-term income crisis into a long-term financial struggle to make ends meet. For those who do take advance payments, deductions on subsequent payments – when combined with rent arrears and other debts that they have may accrued while trying to keep themselves afloat – are too often extending the experience of income crisis and food insecurity, as payments become insufficient to meet their needs.^{vii} While the UK Government has committed to extending the repayment period to 24 months, this will not be in effect until October 2021 and for too many people will still have a major long-term impact on their ability to make ends meet.

With an unprecedented increase in the number of people applying for Universal Credit in the last month in response to the impact of Covid-19, we have serious concerns that many more people will be pulled into income crisis as a direct result of the five week wait, and will then have this crisis prolonged as a result of the inadequacy of the advance payment system.

2. What is the best way of offsetting the impact of the five week wait?

Our social security system should be there to provide an anchor for all of us and should help to keep our heads above water when we are struggling. So there should not, if we want a compassionate social security system that prevents and reduces poverty, be any need to ‘offset’ the impact of the five week wait. Instead it should never have been designed into Universal Credit at all.

If unable to, in the short-term, entirely remove the wait from the design of the policy, there are a number of actions available to the UK Government to at least fully mitigate its impact. The most impactful action would be to ensure that non-repayable advance payments are available as default to all Universal Credit claimants. By providing advance payments as grants, not loans, the UK Government would prevent people from being pulled deeper into poverty and crisis at a time when support is needed more than ever before.

It is also clear, from engagement with Poverty Alliance member organisations, that many individuals who have had their incomes cut as a result of Covid-19 and who are now eligible for Universal Credit are delaying making applications. Action should be taken to encourage early applications whenever an individual become eligible (for example public take-up campaigns), but it should also be considered that in such scenarios it is likely that individuals may have exhausted any money they have available. They will be therefore even less likely to be able to withstand either a five week wait or long-term deductions that may result from accepting advance payments.

If action is not taken to fully mitigate the five week wait, the coming weeks and months will – as a result of the increased numbers of people now accessing Universal Credit as a result of the Covid-19 crisis – see a rising tide of poverty, destitution and food insecurity as people struggle to stay afloat. Action is therefore essential and the need for that action is urgent.

3. Are different mitigating options needed for different groups of claimants?

Additional support is needed via Universal Credit for different groups of claimants. For example, families with children clearly require additional support, which could be achieved by increasing the child element of Universal Credit and by removing the two-child limit.

However, in relation to the action required to fully mitigate the impact of the five week wait, ensuring that advance payments are non-repayable (and are able to adequately meet the needs of different groups) should be sufficient for all groups of claimants.

Conclusion

At a time of unprecedented income shocks for many people, Universal Credit should be there to stem the expected rising tide of poverty and to help to keep people afloat. But we know, from the evidence of recent years, that the five week wait for Universal Credit too often has the opposite effect; pulling people into poverty and crisis rather than helping to protect them from it.

Given the huge numbers of additional people now turning to Universal Credit for supporting as a result of the Covid-19 crisis, it is imperative that action is taken to fully mitigate the impact of the five week wait and ensure that the advance payment system protects people from harm.

The Universal Credit system should not – as the advance payment system does – pull people further into debt and further reduce their income in the long-term. Given the numbers of people now turning to Universal Credit for support, the current advance payment system risks creating a longer-term debt and income crisis for too many. It is therefore essential that the UK Government takes immediate steps to make advance payments non-repayable, to help to ease the pressure on individuals and families across our communities who are struggling to get by.

For more information:

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ⁱ Laura Robertson, Sharon Wright and Alasdair BR Stewart, *How well is Universal Credit supporting people in Glasgow?* (Forthcoming)

ⁱⁱ Menu for Change, *Found Wanting: Understanding journeys into and out of food insecurity: a longitudinal study*, October 2019, <https://menuforchange.org.uk/wp-content/uploads/2019/10/Found-Wanting-A-Menu-for-Change-FINAL.pdf>

iii Poverty Alliance, *Get Heard Scotland: Annual report 2019/20*, (Forthcoming)

iv Menu for Change, *Found Wanting: Understanding journeys into and out of food insecurity: a longitudinal study*, October 2019, <https://menuforchange.org.uk/wp-content/uploads/2019/10/Found-Wanting-A-Menu-for-Change-FINAL.pdf>

v Laura Robertson, Sharon Wright and Alasdair BR Stewart, *How well is Universal Credit supporting people in Glasgow?* (Forthcoming)

vi Ibid

vii Menu for Change, *Found Wanting: Understanding journeys into and out of food insecurity: a longitudinal study*, October 2019, <https://menuforchange.org.uk/wp-content/uploads/2019/10/Found-Wanting-A-Menu-for-Change-FINAL.pdf>