HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

Number 8999, 4 September 2020

Coronavirus: Universal Credit during the crisis

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Contents:

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Contents

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Summary

This House of Commons Library briefing paper explores how Universal Credit has coped and changed during the coronavirus crisis so far, and what challenges lie ahead for this benefit.

The policy issues touched upon in this paper are fast-moving areas which are subject to change. **This paper should therefore be read as correct at the date of publication (4 September 2020).**

The coronavirus crisis has had a significant economic impact which, in turn, has affected household finances – and will continue to do so. Since the early stages of the public health response in mid-to-late March, there has been an increased reliance on the UK social security system, and Universal Credit in particular.

The Government has introduced a series of measures which have served to alleviate demand on the benefits system to some extent. In particular, the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) have between them attracted more than 10 million claims.

Nevertheless, significant new demand has fallen on Universal Credit as the UK welfare system's main 'safety net' for working-age people.

Universal Credit

Universal Credit (UC) is a means-tested benefit which is in the process of replacing six existing benefits and tax credits for working age households. It is available to those who are in-work but on low incomes, as well as those who are unemployed or whose capability for work is limited by sickness or disability. It was introduced by the Coalition Government from 2013 in order to simplify and streamline the benefits system, improve incentives for work, tackle poverty, and reduce fraud and error.

UC has been available in every part of the UK since December 2018 and is now the only option for any working-age individual or family wishing to apply for a means-tested benefit. In March 2020, 3 million people were on Universal Credit, but the numbers have risen substantially during the coronavirus crisis, reaching 5.6 million people by July 2020.

Impact of coronavirus

In the early stages of the coronavirus crisis, there was a sharp increase in UC claims. In the four-week period ending on 9 April, 1.2 million people in Great Britain started a UC claim – around a million more than the usual volume of monthly claim starts – and by a further 1.1 million in the five weeks ending on 14 May.

Overall, 2.9 million new claim applications for Universal Credit were made between 16 March and 9 July (the latest date for which we have figures). The daily volume of new claims peaked at 135,900 on Friday 27 March. Since then, application volumes have gradually subsided, although in June and early July were still around 25% higher on average than the pre-crisis levels of February and early March.

Universal Credit under pressure

This increased demand has placed huge operational pressures on the Department for Work and Pensions (DWP). Initially, UC came under criticism from new claimants regarding the length of time they had to wait to verify their identity by telephone.

In response, the DWP acted to adapt services and to reallocate resources in order both to meet new demand and to facilitate social distancing. This included redeploying nearly 10,000 staff within the DWP and from other Government departments to assist with the processing of new claims. As a result, the DWP has reported that 96% of new UC claims during the assessment period covering 9 April received their full first payment on time, which it was noted, was an improvement on the figure of 88% of payment timeliness in March 2020.

Subsequently, Universal Credit, and DWP staff in particular, have received praise from various quarters, including in recent reports from the Work and Pensions Committee and the House of Lords Economic Affairs Committee. It has been noted that the digital and automated structure of the benefit, combined with the temporary changes made by the DWP, has enabled the system to withstand a sudden increase in demand where legacy systems may have struggled.

Changes made to Universal Credit

In order to ease and speed up access to Universal Credit, the Government made a number of temporary policy changes, in addition to the operational changes. These included:

- An increase to the standard allowance of Universal Credit (and to the basic element of Working Tax Credit), so that claimants of Universal Credit and WTC now receive up to £20 more a week. Local Housing Allowance Rates were also uplifted.
- Allowing UC (and ESA) claimants who were 'affected' by coronavirus (i.e. anyone with Covid-19 or required to self-isolate or looking after a child of such a person) to be treated automatically as having limited capability for work, without having to obtain a 'fit note' or to undergo a Work Capability Assessment.
- Suspending conditionality – conditions such as work-search requirements and attending regular interviews at jobcentres were suspended temporarily (although starting from July they are being gradually reintroduced).
- Suspending face-to-face assessments and Jobcentre appointments, and pausing disability benefit reassessments.
- Suspending deductions for certain kinds of debt.
- Suspending the 'Move to Universal Credit' pilot which had been testing the final phase of Universal Credit caseload rollout ('managed migration') in Harrogate.

The DWP has been clear, however, that these policy changes were only meant to be temporary during a moment of acute crisis. The Secretary of State for Work and Pensions stated in May that it was not her intention "to change the fundamental principles or application of Universal Credit".

Calls for further change

Despite these policy changes, as well as the Government's express intention not to alter the fundamental design and architecture of Universal Credit, there have been further calls to reform UC to support households more effectively during the crisis.

These have included:

- Measures to mitigate the 'five-week wait' for the first payment of Universal Credit, either by making UC advances non-repayable during the crisis, or by pausing deductions for advances.
- Suspending limits on eligibility and entitlement, such as:

  - The ‘capital rules’, which mean that people who have more than £16,000 in savings are not eligible to claim UC;
  - The ‘No Recourse to Public Funds’ rules, which mean that many non-EEA nationals cannot claim benefits;
  - The ‘benefit cap’, which limits the total amount of benefit a household can receive; and
  - The two-child limit, under which a household will not receive an additional amount in their award for a third or subsequent child born on or after 6 April 2017.
- Increasing the generosity of Universal Credit payments beyond the rise in the standard allowance, such as an increase in the child element.
- Help for former legacy benefit and tax credit claimants who applied for Universal Credit in light of Government guidance, without realising that their existing benefits would stop, and that they might be left worse off.

Future challenges for Universal Credit

Universal Credit, and the wider benefits system, will be part of the Government’s overall policy response to prevent financial hardship and support people back into employment as part of the economic recovery.

UC’s ongoing role as the main safety net for new benefit claimants is likely to gain further prominence from late 2020. The CJRS and the SEISS are due to close in October 2020, and the Office for Budget Responsibility (OBR), in its Fiscal Sustainability Report published in July, assumes that the proportion of employees moving from the CJRS to unemployment will be between 10 and 20%. The Resolution Foundation has predicted “significant claims for UC” following the end of the CJRS. Moreover, the £20 a week increase to the UC standard allowance is designed to be temporary and is expected to apply only until the end of the 2020/21 financial year.

There are also challenges ahead with the resumption of employment support and conditionality within Universal Credit. This is especially the case in a context of ongoing social distancing requirements, but also with a weaker labour market. The DWP has received additional funds to double the number of work coaches across Great Britain by the end of 2020/21, and has plans to hire 4,500 of them by the end of October this year. In July, it also announced new employment support measures, aimed particularly at supporting young people into the labour market as part of the Government’s ‘Plan for Jobs’.

Finally, the DWP’s ‘Move to Universal Credit’ pilot in Harrogate – in advance of the final ‘managed migration’ phase of UC rollout – remains suspended, and the Department has not yet indicated when it might resume. Before the outbreak of coronavirus, the DWP had revised its forecast for completing the full caseload rollout of UC to September 2024. The Department has not said what effect, if any, the crisis will have had on this forecast. By May this year, the number of households on UC had surged to 4.2 million which, prior to the coronavirus outbreak, is broadly where the DWP had been expected the UC caseload to be with managed migration in 2022/23. The OBR has noted, however, that a higher caseload might also mean the DWP has less capacity to migrate the remaining cases from the legacy system.

1. What is Universal Credit?

1.1 A new means-tested benefit

Universal Credit (UC) is a benefit which is in the process of replacing six existing means-tested benefits and tax credits for working-age households. It is available both to those who are in, and out of, work, and is calculated and paid on a household-wide basis. It was introduced by the Coalition Government from 2013 and aims to simplify and streamline the benefits system for claimants and administrators, as well as to improve incentives to work, tackle poverty, and reduce the scope for fraud and error. It is administered and delivered by the Department for Work and Pensions (DWP).

The full version of UC has been available in every part of the UK since December 2018, meaning that it is now the only option for any working-age individual or family wishing to apply for means-tested assistance.[1] It is no longer possible to make a new claim for any of the six 'legacy' benefits or tax credits which are being replaced.[2] In February 2020, 2.6 million households were on Universal Credit, but this has risen substantially since the outbreak of coronavirus and as of May stood at 4.2 million households.[3]

1.2 An unemployment and 'in-work' benefit

Universal Credit awards comprise a standard allowance with additional amounts for children and housing, as well as other needs and circumstances such as childcare, caring, and sickness/disability. The actual amount a household receives, however, will depend on its income and savings, as it is a means-tested benefit. It is payable to those who are unemployed, as well as those who are employed or self-employed but on a low income, with capital below £16,000. It therefore performs the role of, as one social policy commentator has recently put it, both as the welfare state's "minimum safety net", as well as an in-work benefit which tops-up wages for those on low incomes.[4] Before the outbreak of coronavirus, around a third of people claiming UC were in work.[5]

1.3 A benefit designed to incentivise work

Income from employment or self-employment will reduce a UC award at a constant rate (the '**single taper'**), although households may be able to keep some of their earned income before it begins to affect their

1. DWP, Universal Credit transition to full service, updated on 12 December 2018
2. The term 'legacy benefit' is used by the Department for Work and Pensions to describe these benefits and tax credits, and this will be used throughout the rest of this briefing.
3. DWP, Universal Credit: 29 April 2013 to 9 April 2020 (official statistics), 19 May 2020. See section 2 of this paper for more information.
4. Institute for Government blog (Nicholas Timmins), Credit where it is due: Universal Credit during the coronavirus lockdown, 4 May 2020
5. DWP, Universal Credit statistics: 29 April 2013 to 10 October 2019 (official statistics), 12 November 2019

UC (the '**work allowance**').[6] Self-employed UC claimants are also usually subject to a **Minimum Income Floor (MIF)**. After a claimant has been self-employed for a certain amount of time, their award is calculated as if they earned the National Minimum Wage for the hours they are expected to work, even if their actual earnings are lower than this.[7]

The financial support provided by Universal Credit is underpinned by a '**conditionality**' framework which sets out certain responsibilities that claimants may be required to meet, such as to look for or prepare for work. The level of these requirements depends on a claimant's particular circumstances and the extent to which they are able to work. If they have a health condition or a disability, their capability for work will be determined by a Work Capability Assessment.[8]

The conditionality framework is accompanied by a **sanctions** regime for those who do not comply with the requirements to which they have agreed as part of their 'claimant commitment'.

1.4 A benefit with a monthly design and an automated digital system

Unlike the 'legacy benefits' it is replacing, UC is managed and accessed almost entirely digitally. Claimants are normally expected to apply for Universal Credit online, and then manage their claim, including reporting changes in circumstances, via an **online account.**

Another unique feature of UC is that it is **assessed and paid monthly** in arrears. Unless exceptional circumstances apply, UC awards are delivered in a **single payment** designed to contribute to different household needs. [9]

The DWP calculates a household's entitlement to UC automatically based on its combined income and capital. While tax credit awards are based on annual income, UC is based on **current income** – and therefore awards are calculated on an ongoing basis and increase or decrease in response to changes in income and other factors which take place during the preceding month (the 'assessment period').[10] For employees paid through Pay as You Earn (PAYE), HMRC's **Real Time Information** system allows the DWP to automatically adjust their UC award if their wages change.

At the end of each monthly assessment period, claimants then receive their UC award as a single monthly payment in arrears. The DWP contends that these payment arrangements "prepare claimants for the world of work in which 75% of employees are paid monthly", while

6 DWP, Universal Credit work allowances, 6 April 2020
7 DWP, Universal Credit for the self-employed, 18 June 2020
8 DWP, Universal Credit: Health conditions and disability guidance, 1 July 2020
9 Commons Library Insight, Universal Credit: Does the monthly design work for claimants?, 15 January 2020
10 Revenuebenefits, Universal Credit: Calculating Universal Credit

also encouraging claimants to "take responsibility for their own financial affairs".[11]

1.5 Caseload rollout of UC is incomplete

The DWP originally envisaged that Universal Credit would fully replace legacy benefits for all claimants by 2017, but the rollout timetable has been pushed back several times.[12] The full caseload rollout of Universal Credit – when everyone who would have claimed legacy benefits is claiming UC – was, before the coronavirus outbreak, expected to be completed in September 2024. But the DWP has suspended the 'Move to Universal Credit' pilot it was conducting to prepare for the final stage of the caseload rollout of UC (known as 'managed migration') owing to the coronavirus outbreak, and so it is unknown as to whether it will still be able to meet this deadline for completion (see section 6.3 for further details).

11 DWP, Alternative Payment Arrangements, 13 May 2020
12 Office for Budget Responsibility, Economic and Fiscal Outlook, March 2020, paras 3.96-97

2. What pressure has coronavirus placed on the Universal Credit system?

Public health interventions to deal with the coronavirus outbreak have had a significant economic impact which has, in turn, affected household finances and continues to do so. During the early stage of the crisis in mid-to-late March, as social distancing measures and lockdown laws closed entire sectors of the economy, there was an increased reliance on the UK social security system, and on Universal Credit in particular as the main means-tested benefit for those who are newly unemployed or have a reduced income.

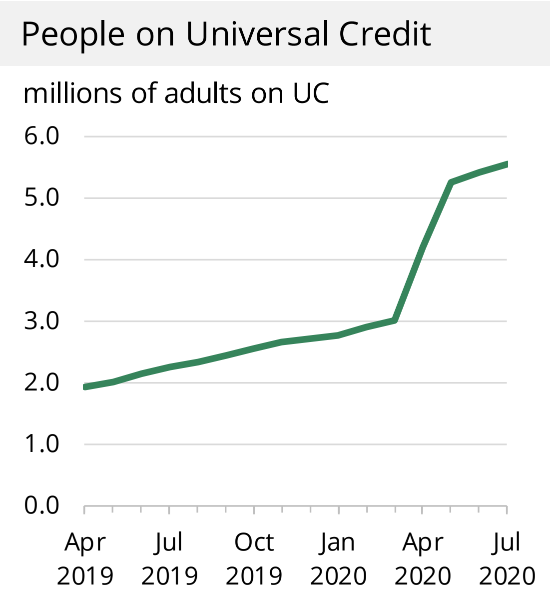
In late March and early April, the Government announced a series of measures to support the incomes of people unable to work and alleviate pressure on the benefits system. These included the creation of the Coronavirus Job Retention Scheme (CJRS) and the Self Employment Income Support Scheme (SEISS). Since the CJRS went live on 20 April, 9.6 million employee jobs have been furloughed through this scheme, and since the SEISS opened for applications in May, nearly 3 million claims for grants have been made from self-employed people.[13] Nevertheless, significant new demand has also fallen on the existing benefits system, especially Universal Credit.

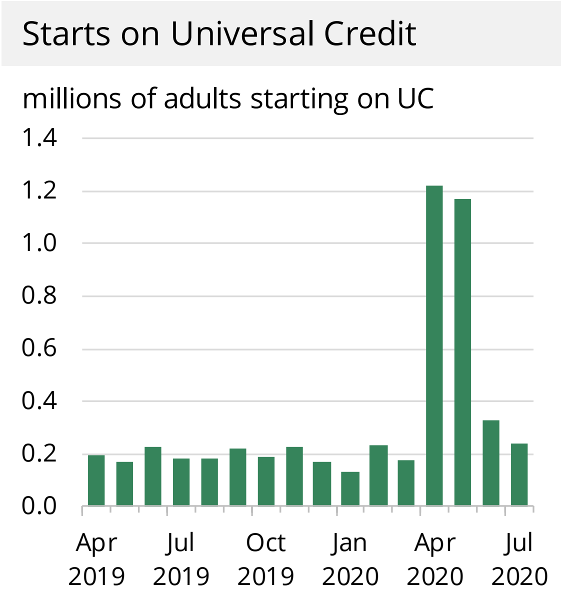
2.1 Sharp increase in UC claims

In the four-week period ending on 9 April, 1.2 million people in Great Britain started a Universal Credit claim – around a million more than the usual volume of monthly claim starts – and by a further 1.1 million in the five weeks ending on 14 May. As a consequence, the total number of people on Universal Credit in Great Britain rose from 3 million in March to 5.6 million in July.

[13] CJRS figures are as of midnight on 16 August, and SEISS figures are as of midnight on 17 August 2020. See Commons Library briefing CBP-8898, Coronavirus: Impact on the labour market, 26 August 2020 (updated on an ongoing basis)

Universal Credit: monthly caseloads and starts, Great Britain



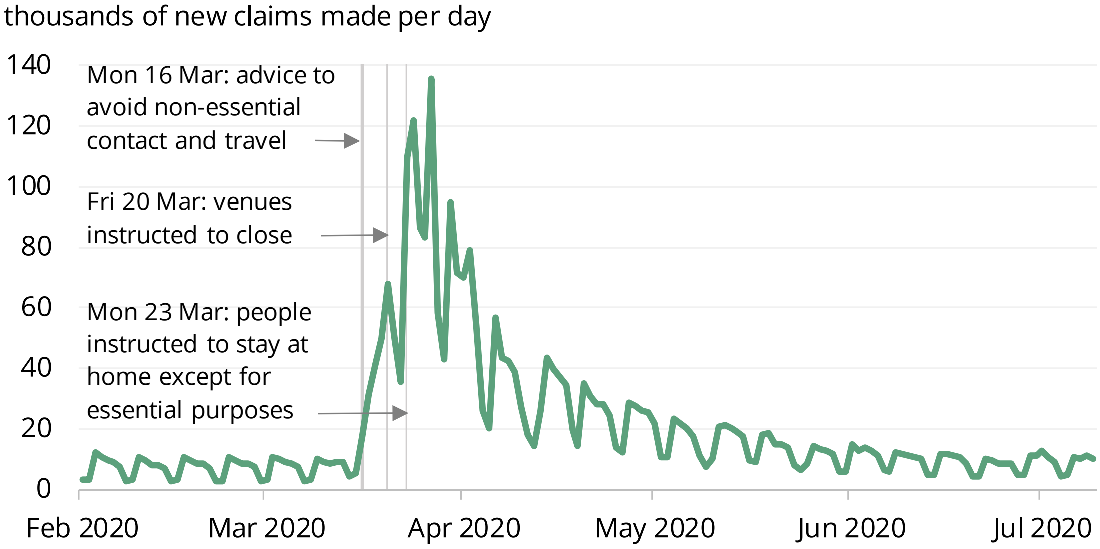


Source: DWP Stat-xplore

2.9 million new claim applications for Universal Credit were made between 16 March and 9 July. The daily volume of new claims peaked at 135,900 on Friday 27 March – around 18 times higher than the typical number for a Friday.[14] The daily new claim volume also reached six figures on Monday 23 March (109,520) and on Tuesday 24 March (121,990). Application volumes have subsided since then, but in June and early July were still around 25% higher on average than the pre-crisis levels of February and early March. In the four weeks to 9 July, new claims for UC had fallen to levels similar to those seen before the pandemic (see chart below).

14 During February and the first half of March 2020, the average number of new claims recorded on a Friday was 7,660.

Universal Credit new claims, Great Britain



Note: Daily volumes of new claims up to 9 July 2020.
Source: DWP Stat-xplore, accessed August 2020

The Resolution Foundation has noted that UC has been one of three components in the Government's initial strategy to protect family incomes during the crisis, alongside the CJRS and the SEISS. UC, it argues, is therefore "playing the vital role as the safety net benefit for those who have lose their jobs or businesses", and is also helping to "to up incomes for families in work on low earnings".[15]

[15] Resolution Foundation, This time is different – Universal Credit's first recession, 27 May 2020

3. How has the Universal Credit system coped?

3.1 DWP's response to increased UC demand

The increased demand from mid-March onwards has placed huge operational pressures on the Department for Work and Pensions. Initially, during the peak of demand in late March, Universal Credit came under criticism from some new claimants. Complaints focused specifically on problems verifying identity in order to complete a new claim. Many claimants were unable to use the Gov.uk Verify service and claimants trying to verify their identify by telephone faced long waits.[16]

The DWP acted to adapt services and to re-allocate resources in order both to meet new demand and to facilitate social distancing. This included suspending work-related conditionality and face-to-face meetings, and allowing the redeployment of staff to process new claims. By early May, 8,500 staff were redeployed within the DWP,[17] and nearly 1,000 additional staff from other Government departments were also transferred to assist with the processing of claims.[18] All local jobcentres were repurposed as 'virtual processing teams' focused on the payment of new claims.[19]

In response to the high volume of phone calls as part of the identity verification process, on 9 April the DWP removed the requirement for claimants to phone and instead made arrangements for the Department to call them.[20] To help accelerate claims further, the DWP announced on 16 April that people applying for UC would be able to use their existing Government Gateway account, if they had one, to confirm their identity.[21]

As a result of the DWP's efforts to respond to increased demand, Will Quince, Minister for Welfare Delivery, reported that 93% of new UC claimants who applied during the week beginning 16 March would receive their first payment on time,[22] which it was later noted was an improvement on the figure of 85% of payment timeliness prior to the coronavirus outbreak.[23] The latest DWP statistics show that 96% of new UC claims during the assessment period covering 9 April received their full first payment on time, which compares with 88% in March 2020.[24]

16 'Coronavirus: The newly jobless struggle to claim benefits', BBC News, 25 March 2020
17 HC Deb 4 May 2020 c421
18 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020
19 HC Deb 4 May 2020 c421
20 'Don't call us – we'll call you', DWP press release, 9 April 2020
21 'Universal Credit claimants to verify identity through Government Gateway', DWP press release, 16 April 2020
22 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, HC 178, 23 April 2020, Q70
23 Letter from Peter Schofield, Permanent Secretary, to the Chair of the Work and Pensions Committee, 3 April 2020
24 DWP, Universal Credit Statistics: 29 April 2013 to 9 July 2020, 11 August 2020

3.2 Praise for UC and DWP staff

Subsequently, Universal Credit received praise from various quarters for how it had withstood such intense demand. Writing for the Institute for Government on 4 May, the social policy commentator and historian, Nicholas Timmins, praised Universal Credit's ability to handle the pressure, despite some causes for complaint.[25] He noted the previous month that the crisis had highlighted the advantages of Universal Credit's entirely digital system, which had not collapsed under the pressure. He remarked further that if people had been left to rely solely on the 'legacy benefit' system, "Jobcentres and council offices would have been overwhelmed", with long queues making it difficult to comply with social distancing guidance. He concluded, therefore, that this "may be the moment when the country becomes grateful for Universal Credit".[26]

Similar praise was forthcoming from the Work and Pensions Committee and the Lords Economic Affairs Committee, in reports published in June and July respectively. The Work and Pensions Committee's report on the DWP's response to the coronavirus pandemic noted that changes the Department had made to the application process, such as using Government Gateway accounts to verify identity following initial difficulties with phone lines, and welcomed improvements to payment timeliness. It stated:

> DWP should be commended for its rapid response to an unprecedented increase in claims. In particular, the extraordinary work of its front-line staff, whose efforts have led to most claimants receiving their first payment on time, deserves the highest praise.[27]

Nevertheless, the Committee's report also highlighted further room for improvement, and outlined various challenges facing UC in the future, some of which are discussed below.

The Lords Economic Affairs Committee, in a report otherwise very critical of Universal Credit, noted that the digital and automated structure the benefit, combined with the temporary changes made by the DWP, had allowed it to withstand a sudden increase in demand:

> The efficient management of an unprecedented number of new claims over such a short period would not have been possible without the digitalisation of the Universal Credit application process. Furthermore, the DWP was able to process the large number of applications using automation, a rapid reorganisation of resources and by changing policies and processes. It also took steps to safeguard claimants and staff. We commend the DWP, and particularly frontline staff, for responding with decisiveness and dedication.[28]

25 Institute for Government blog (Nicholas Timmins), Credit where it is due: Universal Credit during the coronavirus lockdown, 4 May 2020
26 Institute for Government blog (Nicholas Timmins), Coronavirus is giving Universal Credit its moment in the sun, 2 April 2020
27 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020, para. 21
28 House of Lords Economic Affairs Committee, Universal Credit isn't working: proposals for reform, 31 July 2020, para. 15

It also noted, however, that more longstanding general issues with Universal Credit, outlined throughout its report, would therefore impact more people if not addressed.

The Resolution Foundation concluded that Universal Credit had "passed its first test" during the initial stages of this crisis. It also noted that a key part of UC's success in being able to process a huge number of new claims lay in the strength of the digital system and the hard work of civil servants. Its own research found evidence of issues with the verification system persisting for some claimants, but that new claimants to UC were "mostly positive" about the claim process and the service they received:

> Although there remain issues with the identification verification systems, 74 per cent of claimants in our survey reported they were satisfied or very satisfied with the way DWP handled their claim. Overall, the system has coped well, and DWP deserves applauding for this. It's almost certain that, without the capacity of the new digital-based systems, families would have waited longer for a payment and suffered as a result. However, even those happy to claim online appreciated the phone calls with DWP staff, something that DWP should maintain to ensure UC is accessible to claimants.[29]

[29] Resolution Foundation, This time is different – Universal Credit's first recession, 27 May 2020, pp5 and 23

4. How has Universal Credit changed during this crisis?

In order to ease and speed up access to benefits during the crisis, and to ensure more adequate support for households struggling financially, the Government made a number of temporary operational and policy changes to many benefits, and Universal Credit in particular.

These are described briefly in this section, and in more detail in the following Commons Library briefing papers:

- CBP-8894, Coronavirus: Support for household finances, 22 June 2020 (section 4)
- CBP-8973, Coronavirus: Withdrawing crisis social security measures, 13 August 2020 (which notes the current status of these changes.

The DWP has been clear, however, that most of these policy changes were only meant to be temporary during a moment of acute crisis. Speaking in the House of Commons on 4 May, the Secretary of State for Work and Pensions, Thérèse Coffey, stated that, while the Department would "continue to look at issues that arise", it was not her intention "to change the fundamental principles or application of Universal Credit".[30]

4.1 Facilitating self-isolation and social distancing guidance

The Government responded to the crisis by ensuring that Universal Credit could be claimed by people who were directly affected by the virus and forced to self-isolate. Claimants for UC (and Employment and Support Allowance (ESA)) who were 'affected' by coronavirus (anyone having Covid-19 or required to self-isolate, or looking after a child of such a person) were treated automatically as having limited capability for work, without having to obtain a medical 'fit note' or to undergo a Work Capability Assessment.[31]

Measures were also announced in light of new social distancing guidance. The March 2020 Budget announced the suspension of face-to-face meetings at Jobcentres for new UC claimants affected by coronavirus. The DWP then went further, advising that all new claim interviews would be by telephone.[32]

The DWP also closed jobcentres for appointments, at first for new claimants, and then advised the no one should visit a Jobcentre "unless

30 HC Deb 4 May 2020 c423
31 The Employment and Support Allowance and Universal Credit (Coronavirus Disease) Regulations 2020 (SI 2020/289)
32 Commons Library briefing CBP-8894, Coronavirus: Support for household finances, 22 June 2020, p33

directed to do so for an exceptional purpose". The Department began the process of reopening jobcentres from July 2020.[33]

Face-to-face assessments for disability benefits such as Personal Independence Payment (PIP) and the Limited Capability for Work-Related Activity (LCWRA) element in Universal Credit were also suspended for three months on 17 March.[34] A DWP press release on 6 July stated subsequently that this suspension would continue but be kept "under review".[35] Assessments have continued during this time, however, albeit at a reduced pace. People with assessment appointments have been advised that they will be contacted to discuss next steps and alternative arrangements, possibly involving telephone or paper-based assessments.[36] Reviews and reassessments for all disability benefits were also suspended for at least three months on 23 March.[37]

4.2 Increasing the generosity of UC

The Government introduced temporary policy changes to Universal Credit to allow it to provide more generous support to people who requiring financial support from the benefits system. Prior to the crisis, the main rate of unemployment benefits had not been at a lower level relative to earnings at any time since 1948.[38]

On 20 March, the Chancellor of the Exchequer, Rishi Sunak, increased the level of the standard allowance of Universal Credit (as well as the Work Tax Credit basic allowance) by £1,000 per year in the year 2020/21.[39] In practice, UC rates have been increased by £1,040.04 per year, or £86.67 per month, equating to an increase of £20 a week. These increases are designed to be temporary and apply until the end of the 2020/21 financial year.[40]

As part of the same announcement, the Chancellor also announced the Local Housing Allowance (LHA) rates would be reset to the 30th percentile market rent in each broach rental market area. LHA rates determine the maximum amount of housing support that tenants in privately rented accommodation can receive as part of their Universal Credit housing costs element or Housing Benefit claim. The Chancellor stated that this meant "the Local Housing Allowance will cover at least

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33 Employment and benefits support, DWP 'Understanding Universal Credit' website on Gov.uk (accessed 19 August 2020). This now reads "You do not need to attend the jobcentre unless we ask you to do so. If you need to contact us the quickest way to do this is online or by phone. If you need to attend a jobcentre, they are open and one of our colleagues will be able to assist you. Please wear a face covering when entering a jobcentre".

34 'Coronavirus support for employees, benefits claimants and business', DWP press release, 13 March

35 'Face-to-face assessment suspensions continues for health and disability benefits', DWP press release, 6 July 2020

36 PQ58015, 17 July 2020

37 'Claimants are asked to apply online as jobcentres limit access', DWP press release, 23 March 2020. Since 6 July, some reviews and reassessments have resumed for PIP and Disability Living Allowance (DLA).

38 Resolution Foundation, This time is different, 27 May 2020, p41

39 HM Treasury (statement), The Chancellor Rishi Sunak provides an updated statement on coronavirus, 20 March 2020

40 See section 2 of CBP-8973, Coronavirus: Withdrawing crisis social security measures, 13 August 2020

30% of market rents in your area".[41] Subsequently, the Secretary of State for Work and Pensions confirmed that this was a "permanent uplift".[42]

For UC claimants who are self-employed, the Government suspended the Minimum Income Floor. At first this applied solely to people directly affected by coronavirus, but on 20 March the Chancellor announced that it was now suspended for all claimants.[43]

The DWP also announced on 3 April that it was pausing the recovery of legacy benefit overpayments, Social Fund loans, and Tax Credit debts from UC awards for three months. The Department said that the change would mean that many claimants would see an increase in the amount of money they receive, whilst also allowing it to redeploy a significant number of staff to focus on getting money to those who receive support.[44] Deductions from benefits through the Eligible Loan Deduction Scheme were also paused temporarily, but as of 7 July had resumed.[45]

4.3 Temporary suspension of conditionality

The DWP also suspended its conditionality and sanctions framework so that Universal Credit payments would be more accessible for all claimants at moment of crisis, and so that the Department could redeploy more staff to focus on processing claims. Regulations in force from 30 March prevent work search and work availability requirements being imposed on claimants of UC and 'New Style' Jobseeker's Allowance (JSA) for a three-month period.[46] The Government's 'Understanding Universal Credit' website later clarified that all work-related requirements had been suspended.

This suspension was lifted from the beginning of July as the Department began the process of reopening Jobcentres and resuming support to "help people to get ready again for the world of work."[47]

4.4 Suspension of the 'managed migration' pilot

Finally, and very significantly, the DWP made a decision early in the crisis to suspend the 'Move to Universal Credit' pilot in Harrogate. Since July 2019, this pilot had been testing processes for moving the remaining 'legacy benefit' claimants on to UC during the final stage of caseload rollout, known as 'managed migration'. DWP's Universal Credit Engagement Team wrote to stakeholders announcing the temporary suspension, and noted that with "unprecedented demand for Universal

41 Gov.uk The Chancellor's updated statement on coronavirus, 20 March 2020
42 House of Lords Economic Affairs Committee, Oral evidence: The economics of Universal Credit, 2 June 2020, Q119
43 HM Treasury, The Chancellor Rishi Sunak provides an updated statement on coronavirus, 20 March 2020
44 'Recovery of benefit overpayment suspended', DWP press release, 3 April 2020
45 DWP, Guidance: Eligible Loan Deduction Scheme, 7 July 2020
46 The Social Security (Coronavirus) (Further Measures) Regulations 2020 (SI 2020/371)
47 HC Deb 29 June 2020 c17. This is discussed further in section 6 of this paper.

Credit, our departmental priority has to be to get payment to those who need it, as quickly as we possibly can".[48] DWP has yet to state when it plans for this pilot to resume.

[48] Letter from DWP Universal Credit Engagement Team to stakeholders, 30 March 2020

5. What further changes to Universal Credit have been called for?

Despite the operational and policy changes made to UC outlined in the last section, as well as the Government's express intention not to alter the fundamental design and architecture of the benefit, there have been further calls for reform in order better to support claimants during the crisis. Broadly speaking, the Government's view, as stated by Ministers and officials to the Work and Pensions Committee, is to keep policy changes "to an absolute minimum". Will Quince has explained that "big structural changes" to the way Universal Credit works "detracts from our core work of making sure that this unprecedented demand is met".[49]

There have, nevertheless, been calls for more substantial policy changes. These have ranged from proposals to ensure that new claimants receive payments sooner, to calls to suspend rules which limit entitlement to support, as well as recommendations to increase the generosity of Universal Credit.

5.1 Mitigating the 'five-week wait' for first UC payment

The 'five-week wait' has long been a controversial feature of Universal Credit. It refers to the period of time new claimants can wait between applying for the benefit and receiving their first payment, and is a consequence of the monthly design of UC. As noted in the first section of this paper, UC is assessed and paid monthly, with payments made in arrears. People who might struggle financially during these five weeks are able to apply for an advance which is then repaid through deductions to their subsequent benefit payments.[50]

Organisations such as the Child Poverty Action Group (CPAG) have called for advances to be made nonrepayable during the present crisis.[51]

The Government, however, has ruled this out. Ministers and civil servants have cited both operational and cost concerns in making advances non-repayable. They have argued that even if they could secure the money to finance it (which they estimate would require £2.2 billion for a year), it would be operationally undeliverable. They have argued that instead of this, they took the decision to raise the UC standard allowance which they argued would be more targeted in providing support "to the people who need it".[52]

[49] Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q83 and Q118
[50] DWP, Universal Credit advances guidance, 1 April 2020 (latest update)
[51] CPAG, Supporting families during the Covid-19 pandemic, 17 March 2020
[52] Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q77

Other proposals have been suggested by the Resolution Foundation and the Trussell Trust, who have called on the Government to pause deductions temporarily for advances during the crisis.[53] DWP officials have responded, however, by explaining that as deductions for advances are made automatically, additional staff would have to be allocated to pause deductions. Giving evidence to the Work and Pensions Committee on this issue, Neil Couling, the Senior Responsible Owner for Universal Credit said:

> If you wanted to block defer the recovery of advances, that is all automated in the system. We would have to strip out the automation and put human beings on to doing those deferrals, which would affect our ability to pay claims because those human beings are currently working their absolute socks off getting those 93%-plus claims paid.[54]

Nevertheless, the Committee's report on the DWP's response to the coronavirus outbreak published on 22 June noted that advance repayments are creating "additional hardship at a time when many households are already struggling to get by". It concluded:

> We were astonished to hear that the Universal Credit system has been built in a way that makes it all but impossible for repayments of Advances to be suspended in a crisis situation.[55]

It recommended that the DWP review the advances system to consider what changes are needed to make it more flexible in time of crisis to meet claimants' need more quickly. The Committee is looking further into the issue of the wait for a first payment in a separate ongoing inquiry.[56]

5.2 Suspending limits on eligibility

Given the nature of the economic crisis caused by the coronavirus outbreak, there are many people who are having to rely on social security benefits who might not otherwise have expected to do so. In some situations, people who have lost their job or seen their income fall may nevertheless not qualify for UC because they fail to satisfy certain conditions for entitlement.

Capital rules

As noted in section 1, eligibility for Universal Credit takes account of a person's capital, and those who have more than £16,000 in savings are not eligible to claim.

Several organisations and politicians have recommended that the capital rules in UC be relaxed for the duration of the crisis. The Resolution Foundation, in particular, has proposed that the Government suspend

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53 Resolution Foundation, No Work, No Pay: Supporting the Unemployed Through Coronavirus, 2 April 2020, pp3-4; Trussell Trust (blog), Our NHS is there to support us during this health crisis – our benefits system must also be there for people as we face this economic crisis together, 9 April 2020

54 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, HC 178, 23 April 2020, Q78.

55 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020, para. 34

56 Ibid.

the capital test temporarily. It has proposed that, given this might be difficult to implement swiftly through the UC IT system, the Government could "legislate to allow both claimants and Jobcentre Plus staff to say that a family has zero savings, whatever their actual savings levels".[57] The Government has restated it position, however, by noting that a "key principle of UC is that it supports people who do not have assets available to meet their basic needs" and therefore safeguards the most vulnerable.[58] In evidence to the Work and Pensions Committee, Will Quince said that, while he had "huge sympathy" for people who were ineligible for UC because they had too much in savings, he noted that "the principle is that you should be using that money to support yourself through difficult times and not just rely on the state."[59]

We estimate that if the capital rules were to be removed from UC in their entirety, with no £16,000 upper threshold and no deduction of tariff income, this would cost £1.41 billion in 2020/21. This assumes that all families with financial capital above £6,000 and £16,000 would claim UC at the same take-up rate as other households. If just the upper threshold of £16,000 were to be abolished, with the tariff income deduction still applying to savings above £6,000, we estimate that this would cost £270 million in 2020/21.[60]

'No Recourse to Public Funds'

While some benefits do not count as public funds for the purposes of the Immigration Rules, most means-tested benefits do – including Universal Credit. Concern has been expressed about the lack of support available for non-EEA nationals whose immigration status in the UK is subject to a condition that they have 'no recourse to public funds' (NRPF).

On 3 April, the chairs of the Home Affairs and Work and Pensions committees wrote a joint letter to the Home Secretary and the Work and Pensions Secretary seeking clarification on how the Government would ensure workers with this condition are properly supported during the coronavirus outbreak.

Despite indications in late April from the Chancellor of the Duchy of Lancaster, Michael Gove, that the NRPF policy was "under review",[61] on 4 June the Prime Minister responded to a series of questions posed to him on this subject by Stephen Timms, the chair of the Work and Pensions Committee, defending the current policy. He argued that it

57 Resolution Foundation, No Work, No Pay: Supporting the Unemployed Through Coronavirus, 2 April 2020, p5
58 PQ 41072, 12 May 2020
59 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q84
60 House of Commons Library calculations using Family Resources Survey 2017–18 and UKMOD version A1.5+. UKMOD is maintained, developed and managed by the Institute for Social and Economic Research (ISER) at the University of Essex with the support of the Nuffield Foundation.
61 HC Deb 28 April 2020 c222

was in the public interest for migrants to be "financially independent" and not a "burden on the State".[62]

On 7 May 2020, in a case relating to an 8-year old child whose mother has been unable to access social security benefits, the High Court ruled that the NRPF policy is unlawful in cases where the applicant is not yet suffering, but will imminently suffer, inhuman or degrading treatment without recourse to public funds. A full judgement was delivered on 27 May.[63]

On 26 June, Citizens Advice published research condcuted by the Migration Observatory at the University of Oxford which shows that almost 1.4 million people in the UK are subject to the NRPF condition. Citizens Advice reported that some people who have sought help in relation to their NRPF status have had to choose between returning to work while ill or shielding, or losing their income. It therefore called for the NRPF to be lifted during the coronavirus crisis so that migrants avoid facing "impossible choices" over their health and finances.[64]

The Work and Pensions also heard evidence from organisations such as the Children's Society and the No Accommodation Network (NACCOM) that having the NRPF condition is creating additional hardship for households who have lost income during the outbreak. In its report, the Committee concluded that the NRPF rule "may be a reasonable policy approach" in normal times, but that it is not in the public interest during a pandemic. It therefore recommended that "the Government should immediately suspend NRPF conditions on public health grounds for the duration of the outbreak".[65]

For further background see Commons Library briefing CBP-8888, Coronavirus: Calls to ease No Recourse to Public Funds conditions, 27 April 2020.

5.3 Suspending limits on entitlement

Concerns have also been expressed about certain limitations on entitlement which exist within Universal Credit, or general benefit rules, creating a barrier for new claimants in need of financial assistance.

The Benefit Cap

Concerns about the benefit cap

The benefit cap is a limit on the total amount in benefits a working-age household can receive. It was introduced in 2013 and most benefits, including Universal Credit, count towards it. It is a controversial policy opposed by many welfare rights groups. The Government's stated aims

62 Letter from the Prime Minister to the Chair of the Work and Pensions Committee, 4 June 2020

63 R (W, A Child By His Litigation Friend J) v The Secretary of State for the Home Department & Anor [2020] EWHC 1299 (Admin) (21 May 2020)

64 'Citizens Advice reveals nearly 1.4m have no access to welfare safety net', Citizens Advice press release, 26 June 2020; Citizens Advice, Nowhere to turn: How immigration rules are preventing people from getting support during the coronavirus pandemic, 26 June 2020

65 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020, para. 81

for the policy are to maintain public confidence in the welfare system, reduce spending on benefits, and encourage more people into work.[66]

During the crisis, various organisations have called for the removal of the benefit cap, including the Child Poverty Action Group (CPAG), the Trades Union Congress, and the Institute for Fiscal Studies (IFS).[67] They argue that removing the benefit cap would make sense, at least while social distancing applies. The IFS, in particular, has pointed out that many families subject to the cap would see no gain from the benefit increases announced by the Chancellor in April, including the standard allowance of UC.[68]

The Resolution Foundation has also noted that the benefit increases will mean that more families will become subject to the cap, so that "couples with two children renting a typical three-bedroom home will now fall foul of the cap in 107 out of 152 local areas." This, it argued, would result in those becoming unemployed not receiving the help they need, concluding that: "Even if you thought this policy was a good idea in normal times, it certainly isn't during this crisis".[69]

The Social Security Advisory Committee (SSAC) has also expressed similar concerns, and recommended that the Government consider "what action might be possible to ensure that the spirit and intent of the additional package of financial support it has introduced in these challenging times are fully delivered".[70]

In giving evidence to the Work and Pensions Committee on 23 April, Ministers said that they would take lessons from how the benefit cap was being applied because of increases in the UC standard allowance and other benefits. They noted, however, that the number of people likely to be newly affected by the cap, and therefore unable to enjoy in full the increased benefit rates, would be "very small".[71] They later elaborated on this point by explaining that they expected the number of people to be affected by the benefit cap to be broadly consistent with previous uplift trends prior to the crisis, where the cap applied to 1.7% of the DWP's overall caseload.[72] When questioned by some members of the Committee as to whether raising the benefit cap would be possible, Neil Couling answered that it would not be "the most difficult thing to do", but that it would be "challenging". He also noted that many new claimants coming on to UC from work do not have the benefit cap applied to them for a nine-month 'grace period'.[73]

66 Commons Library Constituency Casework page, Benefit Cap, 24 June 2020
67 Child Poverty Action Group, Supporting families during the Covid-19 pandemic, 4 June 2020, pp2-3; TUC, Fixing the safety net: Next steps int eh economic response to coronavirus, 6 April 2020
68 IFS (Observation), If the cap doesn't fit?, 7 April 2020
69 Resolution Foundation, Exiting the economic shock, 10 April 2020
70 SSAC letter to the Secretary of State for Work and Pensions, 28 July 2020
71 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, HC 178, 23 April 2020, Q90
72 Letter from DWP ministers to Chair of the Work and Pensions Committee, 15 May 2020
73 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020 Q91. The grace period only applies to people who were

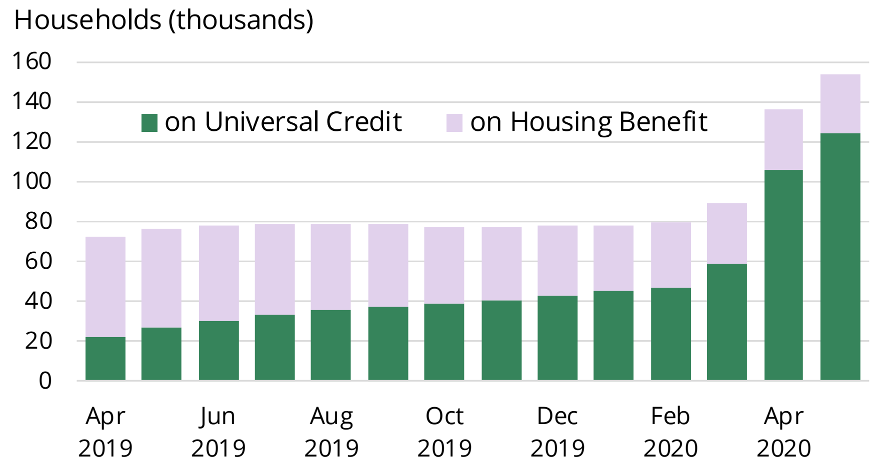
Thérèse Coffey has stated subsequently on several occasions that the Government does not intend either to remove the benefit cap or to change the current threshold.[74]

In its report published in June, the Work and Pensions Committee recommended that the DWP carry out a full analysis of the numbers and characteristics of households newly subject to the cap as a result of measures taking during the coronavirus crisis. It also recommended that the Department assess the extent to which the cap might result in these claimants facing financial hardship.[75]

Increases to the number of households subject to the cap

On 6 August, the DWP published statistics which showed that the overall number of households in Great Britain with their benefit capped had increased by 93% between February 2020 and May 2020, from 79,500 to 153,660. During this period the number of households on UC subject to the benefit cap increased by 164%, from 46,910 to 123,990, while the caseload of affected claimants still on legacy Housing Benefit continued to decline gradually (down 9%, from 32,590 to 29,670).

Households subject to the benefit cap, Great Britain



Source: DWP Stat-xplore: Benefit cap HB and UC point-in-time caseloads

The number of households on Universal Credit that were subject to the benefit cap more than doubled in every country and region of Great Britain between February and May 2020. In London, which already had the largest capped caseload, the number of UC claimant households affected by the cap almost tripled between February and May, from 12,600 to 37,610. While London accounts for 16% of all households on UC, it accounts for 30% of capped households on UC.[76]

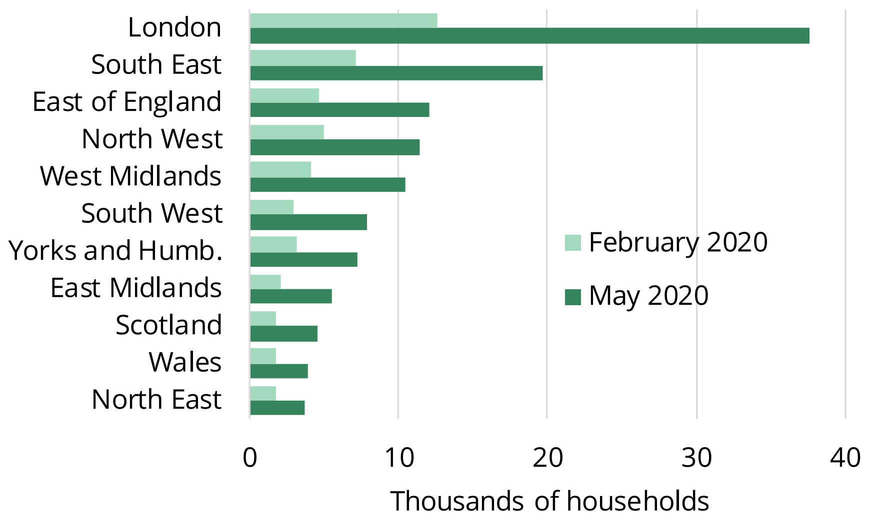
earning above a certain amount in each of the last 12 months: Commons Library Constituency Casework page, Benefit Cap, 24 June 2020

74 HC Deb 4 May 2020 c429 and c433; SSAC letter from the Secretary of State, 8 July 2020

75 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020, para. 104

76 DWP Stat-xplore and Benefit cap statistics on Gov.uk

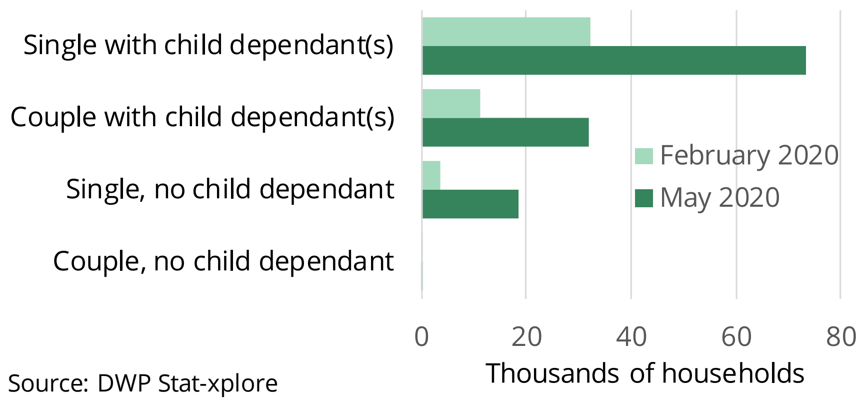
Households on Universal Credit subject to the benefit cap in Great Britain, by country and region



Source: DWP Stat-xplore

Single parent households are the household type most affected by the benefit cap in UC, accounting for 59% of all affected households on UC. The number of single parents on UC who were subject to the benefit cap increased from 32,090 in February 2020 to 73,410 in May 2020.[77]

Households on Universal Credit subject to the benefit cap in Great Britain, by family type



Source: DWP Stat-xplore

The 'two-child limit'

The '[two-child limit](#)' is a controversial policy whereby a household will not receive an additional amount in their UC award for a third or subsequent child born on or after 6 April 2017, unless special circumstances apply.[78]

Organisations such as CPAG have been calling for the removal of the two-child limit in the context of the coronavirus crisis. In briefings published in March and June, it argued that "many families with three

[77] DWP Stat-xplore and Benefit cap statistics on Gov.uk
[78] DWP, Universal Credit: support for a maximum of 2 children: information for claimants, 22 July 2020 (last update)

or more children who had decent jobs or were running their own businesses are now facing an unprecedented financial crisis that no one could have predicated or planned for”.[79]

Along with 50 other representatives of organisations and religious leaders, CPAG wrote a letter to the Guardian on 21 April calling for both the benefit cap and the two-child limit to be removed. It argued that “no parent could have had foresight of Covid-19, and so planned their family size accordingly”.[80]

The CPAG and the Church of England published a report in May which estimated that 60,000 families would be newly affected by the two-child limit as a result of the coronavirus pandemic, having made a UC claim in the first six weeks of the crisis. It therefore recommended that the Government lift the two-child limit completely, and at a minimum, suspend it for the duration of the pandemic “to protect families who are making a new claim”.[81]

The Government has stated that it has “no plans to suspend the policy to provide support for a maximum of two children”.[82]

5.4 Increasing the generosity of Universal Credit for families

Despite the Government’s temporary increase to the standard allowance of Universal Credit, there has been some debate around the adequacy of UC payments as financial support for those who have had to fall back on the benefits system during the crisis.[83] In particular, there has been discussion around how Universal Credit could provide additional support to families with children who are struggling. The Resolution Foundation noted that the increase to the standard allowance of UC did not vary by family size, and so was worth less to families with children than to single adults.[84] Organisations such as the Child Poverty Action Group, and more recently, the Joseph Rowntree Foundation and Save the Children, have called for an increase in the child element of Universal Credit and Child Tax Credit.

In a report published on 4 June, the CPAG called for an increase of £10 a week to the child element of UC, alongside an increase of £10 to Child Benefit payments. It argues that this would give “an extra financial boost… for those families on the lowest incomes to help protect them from poverty”.[85] It later reiterated this proposal in a joint

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79 Child Poverty Action Group, Supporting families during the Covid-19 pandemic, 4 June 2020, p3
80 ‘Universal Credit’s two-child limit and the benefit cap must end now’, The Guardian, 21 April 2020
81 Church of England and Child Poverty Action Group, “No one knows what the future can hold”: The impact of the two-child limit after three years, May 2020
82 PQ 47268, 20 May 2020
83 See, for example, Wera Hobhouse MP asking the Secretary of State for Work and Pensions whether the UC standard allowance for the over-25s is “enough to live a dignified life”: HC Deb 4 May 2020 c431
84 Resolution Foundation, This time is different – Universal Credit’s first recession, May 2020, p66
85 Child Poverty Action Group, Supporting families during the Covid-19 pandemic, 4 June 2020, p2

report with the Church of England, published on 25 August, which found in a survey of 285 low-income families with children that around 8 in 10 respondents were financially worse off as a result of pandemic.[86]

Similarly, in a joint report published on 17 June, the Joseph Rowntree Foundation and Save the Children reported the findings of a survey of 3,000 families with children claiming UC or Child Tax Credit. It found that 7 in 10 of those polled were cutting back on essentials (such as food, utilities, nappies, and activities for children), 6 in 10 were borrowing money (by using credit cards and pay day loans), and over 5 in 10 were in arrears with their rent payments or other essential bills, such as Council Tax. It therefore recommended a temporary £20 per week increase in the child element of UC and Child Tax Credit until "at least April 2021":

> This is equivalent to £2.85 per child, per day: enough to cover a child's breakfast and lunch, bus fare to get to the supermarket, or a bit more money for the meter so the heating can stay on a little bit longer. Our modelling shows that this would provide support for up to 4 million families and 8 million children.[87]

This recommendation was later backed by the former Secretary of State for Work and Pensions, Stephen Crabb MP, who said it would "help support families, particularly those families who are moving from furlough where they've been getting 80% of their salary, to relying purely on benefits".[88] This proposal was also raised at Prime Minister's Questions on 17 June by Ian Blackford, the leader of the Scottish National Party in the House of Commons, where he argued that it would "prevent millions of families from having to make the choice between paying their bills or feeding their children".[89]

The Prime Minister responded by noting the recent rise in the standard allowance of UC and said that he was "fully aware that there will be tough times ahead and we do stand by to do more where we can".[90]

The Minister for Welfare Delivery, Will Quince, had previously noted in answer to a written parliamentary question on 22 May that the child element of UC had already increased in April as part of the annual uprating of benefits.[91] This refers to the fact that benefits and tax credits which are linked to inflation rose by 1.7% in April 2020 (for the 2020/21 financial year), marking the end of the four-year freeze.[92]

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86 CPAG and the Church of England, Poverty in the pandemic: the impact of coronavirus on low-income families and children, 25 August 2020

87 Joseph Rowntree Foundation and Save the Children, A lifeline for our children: Strengthening the social security system for families with children during this pandemic, 17 June 2020, p18

88 "Sooner or later the Conservative Party must talk about poverty", The Times Red Box, 25 June 2020; "Tory MP Stephen Crabb calls for universal credit increase for families", BBC Wales News, 25 June 2020

89 HC Deb 17 June 2020 c799

90 Ibid.

91 PQ 46695, 22 May 2020

92 See Commons Library briefing CBP-8806, Benefits Uprating 2020, 2 April 2020.

5.5 Former legacy benefit claimants who have lost out by claiming UC

Unless exceptional circumstances apply, submitting a claim for Universal Credit will stop any existing award of legacy benefits and tax credits, and the household will be unable to get their previous benefits or tax credits reinstated. This is the case even if the household is found not to be entitled to UC.[93]

The Work and Pensions Committee heard evidence that, on the advice of Government advice, some former legacy benefit and tax credit claimants had claimed UC without realising this would stop their existing awards. The Committee noted that while, for most people, Government advice to apply for Universal Credit to get financial support when they have lost their job was sound advice, for others claiming UC had had "profound and unintended consequences." As part of its survey of benefit claimants during the crisis, the Committee reported cases where people had found themselves worse off on UC than they were on their previous benefits or tax credits, and so would not have made a UC claim if they had they been fully aware of the rules.[94]

In particular, the Committee heard that some former legacy benefit claimants had made UC claims before discovering that they were ineligible, leaving them with no financial support. For example, if they had more than £16,000 in savings and had been claiming tax credits (which do not take capital directly into account).[95]

Speaking in the House of Commons on 4 May, Thérèse Coffey stated that she was "very aware of the issue" and that she was "looking very carefully into what changes we could make to address that situation".[96]

While transitional protection will exist for legacy benefit and tax credit claimants whose UC awards are lower than previous awards and who transfer to UC as part of the final 'managed migration' process, this is not available to those who make a new claim for UC as part of 'natural migration'. The DWP says this is because people who transfer to UC through natural migration do so because their circumstances have changed and therefore their previous benefit entitlement is no longer relevant.[97]

The Work and Pensions Committee has argued, however, that an exception should be made for those who have applied for UC in good faith on the advice of Government guidance during the crisis, only to find themselves inadvertently worse off. In their report on the DWP's response to coronavirus, the Committee recommended:

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93 More information about these rules can be found on the Revenuebenefits webpage; Universal Credit: Making a universal credit claim.

94 Work and Pensions Committee, DWP 's response to the coronavirus outbreak, 22 June 2020, paras 36-7

95 Ibid.

96 HC Deb 4 May 2020 c431

97 Work and Pensions Committee, DWP 's response to the coronavirus outbreak, 22 June 2020, para. 45

> […] that the Government urgently take steps to return to their pre-existing benefits, or the equivalent financial position, anyone who has inadvertently left themselves worse off by making a claim for Universal Credit during the coronavirus outbreak. It should also restore their entitlement to transitional protection for any future move to Universal Credit by managed migration.[98]

The Government's response to the Committee's report has not yet been published. In response to a parliamentary question on what steps were being taken to ensure that no recipient of legacy benefits is financially disadvantaged as a result of making a new application for UC, a written answer on 7 July said that new messages had been included on the online claims system to remind people of the consequences of making a claim for UC, and emphasise the importance of people checking their entitlement before submitting the claim.[99]

98 Ibid., para. 49
99 PQ 59235, 7 July 2020

6. What further challenges does coronavirus pose for Universal Credit?

Most of the social security measures taken in response to the crisis are not expected to be permanent.[100] Nevertheless, the ongoing public health crisis created by coronavirus, and its economic consequences, may continue to pose challenges for Universal Credit.

For new working-age claimants, UC remains the main safety net benefit in the UK, but it was also designed to support and incentivise benefit claimants into work. In the context of the early stages of the coronavirus pandemic, however – in which various sectors of the economy were closed – the features of UC which require claimants to look, or prepare for, work were suspended, with the emphasis on supporting and protecting household incomes by ensuring people receive more generous UC payments. In doing so, it has been argued that, for a period at least, UC became "a rather different animal" from the benefit it was originally designed to be.[101]

It is unclear, however, how long some these changes will remain in place, given that the Government has stated its intention not to change fundamentally any of the basic principles underlying the benefit. Looking forward, it is expected that Universal Credit will be a key part of any Government plan for economic recovery and that it will need to adapt to the new economic environment. The House of Lords Economic Affairs Committee noted the following in its recent report on Universal Credit:

> 14. The hardest challenges for the DWP lie ahead. Unemployment could increase substantially over the coming months. The shape of the labour market may change forever. Business and labour groups have warned that young people in particular are vulnerable. The social security system alone should not be expected to solve these systemic problems, which we were told would require large-scale and cross-Whitehall intervention. Nevertheless, Universal Credit will be an important part of a wide-ranging policy response to the crisis and the Government has already changed how the benefit operates to strengthen the safety net.[102]

Universal Credit faces long-term challenges posed by the economic effects of the coronavirus crisis, including how it can continue to provide income support and protection, as well as how it is able to support benefit claimants back into an uncertain labour market. The DWP has also yet to announce how it plans to complete the final

[100] See CBP-8973, Coronavirus: Withdrawing crisis social security measures, 13 August 2020
[101] Fran Bennett, Coronavirus – the making or the unmaking of Universal Credit, University of Bath Institute for Policy Research blog, 6 April 2020
[102] House of Lords Economic Affairs Committee, Universal Credit isn't working: proposals for reform, 31 July 2020, para. 14

'managed migration' stage of the full caseload rollout of Universal Credit.

6.1 The 'safety net' of income support and protection

UC after the closure of the CJRS and the SEISS

Universal Credit's ongoing role as the main safety net for new claimants is likely to gain further prominence in the autumn. This is because the Government has already announced that the Coronavirus Job Retention Scheme (CJRS) and the Self-employment Income Support Scheme (SEISS) are due to close in October 2020.[103]

Both schemes have served to alleviate pressure on Universal Credit and the wider benefits system, with 9.6 million employee jobs being furloughed since the CJRS went live on 20 April, and nearly 3 million self-employed people have claimed a grant from the SEISS since it opened for applications in May.[104] It is difficult to predict exactly how the closure of these schemes will affect the benefits system, but the various scenarios outlined by the Office for Budget Responsibility (OBR) in its Fiscal Sustainability Report published on 14 July, assume the proportion of employees moving from the CJRS into unemployment as being between 10-20%.[105]

The OBR's 'upside scenario' has the unemployment rate peaking at 9.7% in the third quarter of 2020; in its 'central scenario' the rate peaks in the fourth quarter of 2020 at 11.9%; and the 'downside scenario' has the rate continuing to rise until the first quarter of 2021 and peaking at 13.2%.[106] The drop in employment in the OBR's central scenario, as well as the limited number of opportunities for work in a weaker labour market, translates into a higher projected Universal Credit caseload over 2020-21.[107] The Resolution Foundation has predicted that following the end of the CJRS, the DWP should expect "significant claims for UC" from those who have been furloughed and do not return to their previous jobs.[108]

Moreover, the OBR also comments that the number of people moving from the CJRS to Universal Credit may prompt further discussion about the level of UC payments. Its central scenario assumes that around 1.3 million people will flow from furloughed employment into unemployment, rather than back into work. It therefore predicts that given the Resolution Foundation's estimate that that the median fall in income for furloughed employees was 9%, compared with 47% for

[103] Commons Library briefing CBP-8880, FAQs: Coronavirus Job Retention Scheme, 16 June 2020; Commons Library briefing CBP-8879, Coronavirus: Self-Employment Income Support Scheme, 18 August 2020
[104] Commons Library briefing CBP-8898, Coronavirus: Impact on the labour market, 26 August 2020. CJRS figures are as of midnight on 16 August, and SEISS figures are as of midnight on 17 August 2020.
[105] OBR, Fiscal sustainability report – July 2020, 14 July, para. 14
[106] Ibid., para. 2.43
[107] Ibid., para. 3.33
[108] Resolution Foundation, This time is different – Universal Credit's first recession, May 2020, p53

those who lose their job and claim UC,[109] the generosity of this benefit might become a topic of further debate.[110]

The temporary increase in UC payments

Most of the measures introduced by the Government to increase the generosity of UC – aside from the uplift in LHA rates, which is permanent – are intended to be temporary. In particular, the increase of the Universal Credit standard allowance by £1,000 per year is currently expected to last until April 2021 – the Government has given no commitment to maintain the increase beyond this date. The time-limited nature of this increase was the subject of an exchange between Will Quince, the Minister for Welfare Reform, and Jonathan Reynolds, the Shadow Secretary of State for Work and Pensions in the House of Commons on 11 May, where Mr Quince said that it would be kept "under review", but that the funding had been agreed for a 12-month period:

> **Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op) | Party: Labour Party · Cooperative Party**
>
> […] If the Government believe that this level of support is necessary during lockdown, why do they believe that people will need less money when lockdown ends and the normal costs of living will apply? Surely it is inconceivable that anyone still unemployed by March next year could see their benefits being cut.
>
> **Will Quince [V] | Party: Conservative Party | Department: Work and Pensions**
>
> […] We at the DWP have been under huge increased demand, and we have prioritised the safety and stability of our benefits system overall. All things of this nature will be kept under review, but at the moment, as he rightly points out, the funding has been secured for a 12-month period from Her Majesty's Treasury.[111]

The Resolution Foundation has called on the Government to continue with the increased rate of the UC standard allowance beyond the current financial year "given that the impact of the crisis is going to last beyond March 2021 for many families".[112] It commented recently:

> If this package is allowed to expire by next spring, the poorest 6m working age households will lose at least £1,000 in income, with many losing up to £2,000. The basic level of support for an out-of-work single adult would fall to the level it was at when Margaret Thatcher left office in 1990. Even if the recent increases endure it will still be the case that benefit levels are set below the poverty line, and the social security system is riddled with inequity. […]
>
> As more workers are laid-off this autumn, the grim reality of meagre support — and the sharp contrast with the furlough's generous and straightforward wage-protection — will become painfully apparent to a broader spectrum of society. Some in government may be tempted to adopt a pre-emptive tough

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109 Ibid, p51
110 OBR, [Fiscal sustainability report – July 2020](), 14 July, para. 5.41
111 [HC Deb 11 May c4]()
112 Resolution Foundation, [This time is different – Universal Credit's first recession](), May 2020, p66

> stance on this looming benefits decision, in an attempt to signal the return of their fiscal virtue. That would be a mistake.[113]

The suspension of the Minimum Income Floor (MIF) for self-employed UC claimants is also scheduled to expire, on 13 November 2020. The Resolution Foundation has called the MIF "wholly inappropriate during the current crisis", and that its suspension has equalised "the treatment [by UC] of employees losing jobs and self-employed people whose work has dried up".[114]

The OBR also notes, however, that welfare measures which have the potential to create "cash losers" – such as the possible reduction of the standard allowance and reintroduction of the MIF – have in the past "frequently been reversed, delayed or diluted".[115]

Error and fraud

The OBR has also noted that increased generosity of UC, alongside the suspension of conditionality and some assessments, has also increased the risk of fraud and error. The National Crime Agency has already identified a number of fraudulent claims, and the OBR notes that the sharp rise in demand from legitimate claims might lead to more errors being made.[116] The Resolution Foundation has therefore recommended that the DWP do what it can to make sure it can minimise fraud and error as the need to process an unprecedented number of new claims eases.[117]

6.2 Employment support and conditionality in a challenging labour market

As noted elsewhere in this paper, the DWP's priority in Universal Credit earlier in this crisis was on supporting and protecting incomes by processing the huge number of new claims and making sure all claimants received more generous payments on time. ın recognition of this, and the impracticality of imposing work-related requirements when certain sectors of the economy were closed, the DWP redeployed staff away from the labour-intensive claimant commitment process and suspended temporarily the conditionality and sanctions framework.

As the number of new Universal Credit claims declined from the peak in late March, and as lockdown measures throughout the UK were eased, the DWP gradually began to reintroduce conditionality from July. Staff who had been redeployed to help process new claims in March and April have returned to their previous jobs to help claimants get back into work. Neil Couling, the Senior Responsible Owner for Universal Credit at the DWP told the Work and Pensions Committee at the end of April that the Department's next task was to "disengage the emergency

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113 Resolution Foundation, The UK should not weaken safety nets mid-storm, 11 August 2020
114 Resolution Foundation, This time is different – Universal Credit's first recession, May 2020, p43
115 OBR, Fiscal Sustainability report – July 2020, 14 July 2020, para. 5.40
116 Ibid., para. 5.42
117 Resolution Foundation, This time is different – Universal Credit's first recession, May 2020, p55

support we have put in place and replace that with recruited staff and get the people who were doing important jobs before the pandemic back to doing those important jobs". He stated that this would be a substantial task: "as big as the UC rollout".[118]

DWP plans for employment support and conditionality

Given the much higher Universal Credit caseload as a result of coronavirus, the DWP has received additional resource to help support claimants back into work and reintroduce work-related requirements. As part of the Government's 'Plan for Jobs', launched on 8 July, the Chancellor announced that the Department would receive an additional £895 million "to enhance work search support" by doubling the number of work coaches across Great Britain before the end of the 2020/21 financial year.[119] Neil Couling has stated subsequently that the Department plans to hire 4,500 new work coaches by the end of October[120], and it plans to recruit 13,500 in total by the end of the financial year.[121] The 'Plan for Jobs' also includes employment support measures relating to UC, such as:

- A Kickstart scheme that will provide funding towards the wages of 16-24 year olds on Universal Credit;
- Expanded intensive support offered in Great Britain to young jobseekers so as to include all those aged 18-24 in the Intensive Work Search group in Universal Credit; and
- Various other measures to support young people find work, such as extra funding for Jobcentre employment support programmes (including sector-based work academies, the Work and Health Programme, and the Flexible Support Fund).[122]

From July, alongside the reintroduction of conditionality, the DWP began reopening Jobcentres, with the aim, as expressed by Thérèse Coffey, to begin a "return to normal" in order to "help people to get ready again for the world of work". It is nevertheless taking a "phased approach" in recognition of "prevailing circumstances including COVID restrictions", and will allow local staff to take decisions on work-related conditionality and sanctions.[123]

For those who made a UC claim when conditionality was suspended, the DWP has said it will be contacting claimants to introduce a claimant commitment, initially by phone.[124] A special coronavirus edition of the DWP's Touchbase Magazine for advisors, published on 3 July, noted that that the Department will not impose sanctions until a claimant has

118 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, 23 April 2020 Q118
119 HM Treasury, Plan for Jobs, July 2020, p9
120 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q232
121 PQ 73857 22 July 2020
122 Further information on these employment support measures can be found in Commons Library briefing paper CBP 8965, Coronavirus: getting people back to work, 17 July 2020
123 PQ 68348 7 July 2020
124 PQ 69562 9 July 2020; PQ 69561 13 July 2020

an up-to-date claimant commitment, and that claimants "who are shielding, have childcare responsibilities because of COVID restrictions, etc. will have their Claimant Commitment tailored to reflect their circumstances and will not be asked to do anything unreasonable".[125]

The Social Security Advisory Committee announced on 6 August that it would be conducting a review of post-lockdown changes to social security benefits. As part of this, it is conducting a project with three areas of concerns, the first of which is to "understand how the reintroduction of conditionality will work, particularly as it applies to work search and availability":

> We will be asking how DWP and DfC [Department for Communities] will, or could, support claimants who have been shielding, along with others whose circumstances create vulnerabilities for them, including those who are digitally excluded. We want to know what guidance and discretion will be available to Job Centres to support claimants, including where local lockdowns are required, where there are particular geographical and sectoral impacts on unemployment, and where there is an absence or reduced availability of formal and informal childcare. In order to understand this, we need to know more about the departmental policies and strategies to support training and re-skilling for claimants, and how opportunities for re-training will fit within the claimant commitment.[126]

Challenges presented by social distancing

The Department's usual practices for supporting benefit claimants back into employment may be hindered while public health measures to prevent the spread of coronavirus remain in place. In a blog in May, the social policy commentator, Nicholas Timmins, discussed the difficulties faced by the DWP: "Just how, and when, and where, and at what scale can UC work coaches once again engage with claimants to help and cajole them back into work?".[127]

Neil Couling has also noted that social distancing is a "complicating factor" which restricts the DWP's room for manoeuvre in its strategy for the current crisis as compared with plans it developed for previous recessions. He has stated that the Department will have to use more digital means to support claimants into work, and that it plans a staged process to allow Jobcentres to provide the support for the newly unemployed within social distancing rules.[128]

The Public and Commercial Services (PCS) Union, which represents many DWP staff, has reported that the DWP plans to extend operating hours in 270 Jobcentres and 21 UC service centres from 30 November. The PCS has expressed concerns about the ability of its members to work safely with these new extended hours and with Jobcentres open

[125] 'Expanding our service offer in jobcentres', Touchbase magazine, 3 July 2020
[126] Social Security Advisory Committee (blog), Rapid review of post-lockdown changes to social security benefits, 6 August 2020
[127] Institute for Government blog (Nicholas Timmins), Credit where it is due: Universal Credit during the coronavirus lockdown, 4 May 2020
[128] Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q80 and Q118

to the public.[129] It is currently conducting a consultative ballot of its members who work in Jobcentres and UC services centres, noting:

> The ballot is not about opposing extended hours. It is about opposing extended hours during coronavirus. The purpose of the ballot is to get the DWP to withdraw plans to extend services until it is safe to do so. That is why all members in Jobcentre buildings are being balloted. Some staff in the building may not have to do the extended hours but the risk of Covid19 will not stop at the bottom of the stairs or end at the back office door. All staff in the building face the same health and safety risk.[130]

Challenges presented by a weakened labour market

Questions have been raised about the availability of work during and after the pandemic. The OBR has speculated that the number of people moving from furlough to unemployment, in addition to prompting a debate around the generosity of UC rates, could also lead to calls for "more spending on active labour market policies".[131]

Nicholas Timmins has questioned what job-search requirements can be expected of claimants during the pandemic, given the impact on certain sectors of the economy, including hospitality and retail.[132] Mims Davies, the Minister for Employment, has recognised this as a problem given that these are sectors traditionally used by the DWP to "pivot people back into jobs", but has noted there are vacancies in other sectors, including care, agriculture, logistics, and delivery.[133] Similarly, the Resolution Foundation has argued that the UK's high-turnover jobs market means that many opportunities for work remain available, even as economic activity remains constrained, and has cautioned that "there are negative behavioural effects from workless people being out of the job-search habit for too long".[134]

The Resolution Foundation has also argued that in the years prior to the crisis, during a period of record employment, the DWP reduced its capacity to provide advice for employment support activities, preferring to focus on the 'stick' of conditionality rather than the 'carrots' of work-search assistance and work-preparation activities. It has called for the DWP to "devise a new suite of active labour market programmes for UC recipients appropriate for the scale of the current challenge", including an expanded offer of training, advice, and guidance, and to do this in collaboration with local government, charities, housing associations, and the wider recruitment and employment services sector.

Tony Wilson, the Director at the Institute for Employment Studies, told the Work and Pensions Committee's inquiry on the DWP's response to

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129 'Extended hours in jobcentres and UC services centres – urgent advice to members', PCS news release, 12 August 2020
130 'Consultative Ballot on Safety in Jobcentres and Universal Credit', PCS news release, 20 August 2020
131 OBR, Fiscal Sustainability report – July 2020, 14 July 2020, para. 5.41
132 Institute for Government blog (Nicholas Timmins), Credit where it is due: Universal Credit during the coronavirus lockdown, 4 May 2020
133 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q118
134 Resolution Foundation, This time is different – Universal Credit's first recession, May 2020, p54

coronavirus that it will take time to put effective employment programmes in place – perhaps six to nine months before they get started.[135] He also argued that the DWP should expect to work with a series of stakeholders, noting that current spending on contracted employment support is about £200 million a year, whereas in 2010 "at the height of the last recession, the Government were spending £2.4 billion in today's money".[136]

The Work and Pensions Committee believes that a 'one-size-fits-all' approach to supporting the increased number of unemployed people back into work will not be effective given that "a range of groups will be affected differently". It recommended that the DWP should:

> …tailor its employment support to meet the differing needs of these groups, with a particular focus on: young people, people with caring responsibilities, older workers, disabled people and people previously on lower pay.[137]

More broadly, the Work and Pensions Committee noted that the DWP has three plans for dealing with the crisis facing the UK labour market, including a pandemic flu plan and an economic downturn plan. The Committee stated that the DWP had refused to share these plans with the them as part of their inquiry, which they criticised in their report.[138]

6.3 Completing the caseload rollout of Universal Credit

The coronavirus crisis has added greater uncertainty to the already delayed timetable for completion of the Universal Credit project. The DWP's 'Move to Universal Credit' pilot in Harrogate, which is testing approaches to the 'managed migration' of all remaining legacy benefit and tax credit claimants to Universal Credit with up to 10,000 claimants, remains suspended. The pilot commenced on 24 July 2019, and on 28 January 2020 the Minister for Welfare Delivery, Will Quince, informed the House of Commons that "just under 80" claims were being processed, with "around 13" legacy benefit claimants having moved to UC as part of the programme.[139]

On 3 February, the Department announced that it had revised its forecast for completing the full caseload rollout of UC from December 2023 to September 2024.[140] On 11 March, a few weeks before the 'Move to UC' pilot was suspended due to the coronavirus outbreak, the OBR published its Economic and Fiscal Outlook in which it forecast that the full rollout of UC would be completed by September 2026 – two

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135 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June, para. 309

136 Ibid., para. 316

137 Ibid., para. 307

138 Ibid., para. 296-9; Correspondence between Work and Pensions Committee and Secretary of State for Work and Pensions about DWP's business continuity plans, 15 May 2020

139 HC Deb 27 January 2020 c521

140 Letter from Thérèse Coffey to Stephen Timms, 3 February 2020 (DEP2020-0049). This was reported by the BBC in a documentary entitled 'Universal Credit' Inside the Welfare State': 'Universal credit rollout delayed again – to 2024', BBC News, 3 February 2020.

years later than the DWP's revised assumption. This decision reflected both "the accumulated experience of the past seven years" and the greater emphasis in recent ministerial statements around deliberately slowing the pace of managed migration to "protect the interest of moving claimants".[141]

Since it suspended the 'Move to UC' pilot temporarily on 30 March, the Department has only commented periodically to confirm that the suspension is still in place.[142] It has not indicated when it expects the suspension to be lifted and what effect, if any, it may have on its forecast for when it expects to complete the UC caseload rollout. Before the suspension, the DWP had been due to provide an update on the pilot in the Spring, and after that to set out an evaluation strategy before Parliament in the Autumn, which would include proposals for the next phase of managed migration.[143]

In July, the OBR has noted that the number of individuals on UC is now up 75% since March, and that many of these new claimants will have transferred to UC from legacy benefits and tax credits (through 'natural migration') due to them experiencing a change in circumstances.[144] This should therefore leave fewer individuals to move to UC by managed migration, which may be significant given one of the reasons provided by the DWP for revising its forecast for the completion of UC rollout in February was that fewer people were transferring via natural migration than it had expected.[145] On the other hand, the OBR has also speculated that the higher caseload might mean the Department has less capacity to migrate the remaining legacy benefit and tax credit cases.[146]

By May, the number of households on UC had surged to 4.2 million, which, prior to the coronavirus outbreak, is broadly where the DWP had been expecting the UC caseload to be in 2022/23, and where the OBR forecast that the caseload would get to by 2024/25 in a scenario without managed migration where people on legacy benefits only transferred to UC when they experienced a change in circumstances. See the chart below.

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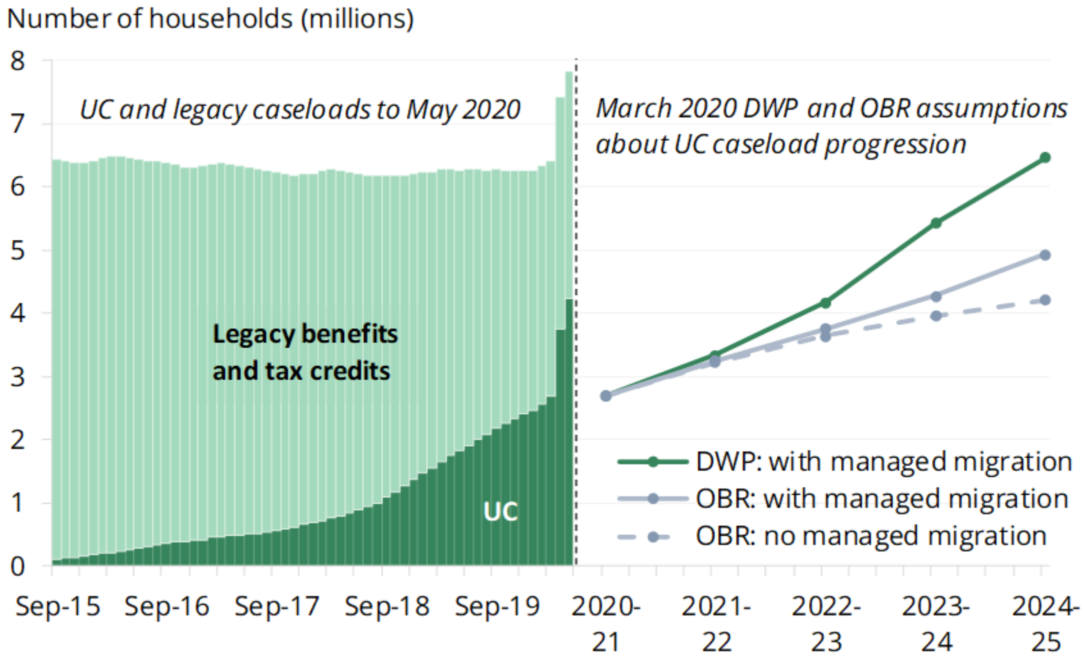
141 OBR, Economic and fiscal outlook – March 2020, 11 March, para. A.11
142 PQ 52072, 4 June 2020
143 PQ 2481, 21 January 2020
144 OBR, Fiscal sustainability report, July 2020, para. 3.72
145 Letter from Thérèse Coffey to Stephen Timms, 3 February 2020 (DEP2020-0049).
146 OBR, Fiscal sustainability report, July 2020, para. 3.72

Universal Credit caseload rollout in Great Britain
Households on Universal Credit or on legacy benefits and tax credits



Sources UC actual: DWP Stat-xplore | Legacy actual: HoC Library calculations based on DWP Stat-xplore and HMRC personal tax credit statistics | UC assumption: OBR Economic and Fiscal Outlook March 2020 chart 3.4

BRIEFING PAPER
Number 8999
4 September 2020