



Waiting days for Universal Credit claimants – consultation by the Social Security Advisory Committee

NAWRA Response

October 2014

The National Association of Welfare Rights Advisers – NAWRA

1. The National Association of Welfare Rights Advisers (NAWRA) was established in 1992 and represents advisers from local authorities, the voluntary sector, trade unions, solicitors, and other organisations who provide legal advice on social security and tax credits. NAWRA currently has more than 240 member organisations.
2. We strive to challenge, influence and improve welfare rights policy and legislation, as well as identifying and sharing good practice amongst our members.
3. NAWRA holds a number of conferences throughout the year across the UK, attended by members from all sectors of the industry. An integral part of these events are workshops that help to develop and lead good practice.
4. Our members have much experience in providing both front line legal advice on benefits and in providing training and information as well as policy support and development. As such NAWRA is able to bring much knowledge and insight to this consultation exercise.
5. NAWRA is happy to be contacted to provide clarification on anything contained within this document. NAWRA is happy for details and contents of this response to be made public.

Purpose of this response

The Social Security Advisory Committee launched a public consultation on 19th September 2014 concerning the government's intention that Universal Credit claimants must wait seven days before they are entitled to benefit.

This response sets out the concerns of NAWRA about the proposed legislative change.

Methodology

All member organisations were sent a survey via email. The survey was designed to address the specific aspects of the proposals as set out by the SSAC in their press release, namely –

- the larger sums of benefit involved, since Universal Credit includes amounts for children, housing costs and child care costs
- the fact that Universal Credit is usually paid monthly in arrears, meaning that claimants will generally wait longer for their first payment of benefit than they would have done under JSA or ESA
- the additional numbers of people affected by this rule – what are the categories of people who would not currently claim ESA or JSA but who will need to claim Universal Credit and how will the waiting day period impact upon them in particular?

- are the prescribed exemptions for certain categories of claimant appropriate?

The survey request was circulated to NAWRA member organisations and a record 183 responses were received indicating the strength of feeling about this proposal. Due to the nature of the consultation the questions were all free text responses. What stood out was the level of concurrence among responses – the same points were raised time and time again. This document aims to summarise those responses.

Impact of seven day waiting period

Question 4: Universal credit is paid monthly in arrears. Under this proposal claimants will have to wait one month and seven days for their first payment. What is the likely impact of this?

Many highlighted that, as there is a seven day period for the UC payment to reach the claimant's account,¹ there will be a period of a month and two weeks before any payment is received. And when it does come it will only be an amount to cover a month. So from the start, the claimant is put in a position of trying to catch up - this creates stress, worsening health conditions, desperation, hunger etc. A recent report by StepChange highlights the damage debt can cause to family life, mental and physical health, productivity and employment prospects and costs to the welfare state, the NHS, local government and other agencies.²

In order for a UC claim to be accepted the claimant must have signed a claimant commitment and adhere to it. Many of the requirements will have financial costs – printing CVs, using the internet, public transport fares etc. If the claimant does not have sufficient money for essentials such as food and heating then they are unlikely to be able to maintain the requirements of their claimant commitment thus incurring sanctions and further financial penalty which only exacerbates the situation.

Short-term claimants are unlikely to qualify at all. Under the current system someone who is unemployed for a short time, say three weeks, may not qualify if they receive some wages before the end of the assessment period (calendar month from start of claim). The waiting day period will merely add to this.

¹ Regulation 47, Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013

² <http://www.stepchange.org/Mediacentre/Researchandreports/Socialcostofdebt.aspx>

There were many recurring themes that came up under this question which included –

- increase in health problems – increased anxiety and stress, poor diet due to lack of money, social isolation – many may be claiming UC because of a difficult life situation (eg loss of a job, relationship ending) and therefore be under considerable stress already;
- increased risk of suicide as people become desperate and cannot see a way out;
- increased debt with people turning to payday lenders thus setting up a spiral of debt problems – high interest loans, bank charges etc;
- risk of rent/mortgage arrears, worsening relationships between claimants and their landlords/lenders, notices seeking possession, court action, evictions and increased homelessness;
- because of the above, further unwillingness in the private sector to take on tenants who may be reliant on benefit creating a housing crisis;
- inability to meet essential needs such as food, heating, lighting – many on low incomes are likely to be on a key or card meter and therefore without money will simply be unable to have access to gas or electricity for themselves or their family;
- inability to pay council tax which could result in court and bailiff action – due to the localised council tax reduction schemes many already have increased council tax bills and there will be something of a postcode lottery on how this impacts;
- inability to meet essential regular payments such as court costs and fines which will lead to further court action or arrest;
- increase in crime as people get desperate;
- increased demand on local welfare schemes which vary what support they can give and are under threat – most schemes will only allow one small crisis payment in a year which will not meet the shortfall of a weeks UC;
- increased reliance on foodbanks and charities which are already stretched – again many have to operate a system which restricts the number of times they can be used by any individual.

It is relevant that, in a telephone survey carried out by First Choice Homes Oldham (FCHO)³, 55% of tenants who were claiming UC already reported the period between making their UC claim and receiving their first payment very difficult with 44% managing financially by borrowing and **18% having taken out a pay day loan**. One can only speculate how much worse these figures would be if there were a further seven days to wait before payment.

Impact on need for universal credit advances

Question 5: Do you think this will impact on the need for universal credit advances (advance on first payment which is then repaid over the next six months)?

The overwhelming response was that without doubt there would be an increased need for advances – many members pointed out that their clients had no reserves or sources of support. Most new UC claimants would either be coming from low paid work or be in very low-paid work, hence their

³ <http://www.rightsnet.org.uk/news/story/tenants-struggle-to-budget-when-they-claim-uc-with-some-turning-to-pay-day>

reliance on benefits, and are likely to already be in difficult financial situations. Indeed, National Debtline recently reported a 140% increase in calls about household debt due to the erosion of families' surplus income in the face of rising prices.⁴

Concerns were also raised about how aware claimants would be of the existence of advance payments and whether they would be offered by jobcentre staff. In the FCHO survey (referenced in the question 4 response) it is of great concern that 48% did not know that they could apply for an advance payment for UC and, of those who did know, 43% were informed too late to be able to claim the advance payment or their application took too long to process leading to them missing their deadline.

There has been widespread evidence⁵ of problems with accessing the current short-term benefit advances (SBTAs) which are an equivalent within the current system. The expenditure on SBTAs has been very low (£3,287,000 between April and November 2013 compared with £72,799,600 on crisis loans in the same period of the previous year⁶). While it is accepted that crisis loans did cover circumstances mid-claim a large number were claimed pending a claim being processed.

The DWP insists that SBTAs (and presumably UC advances) are not something that can be 'claimed' and they refuse to publish information about them on gov.uk. A claimant is therefore reliant on a jobcentre adviser identifying a need and processing an application. This often does not happen and claimants are unaware that they can ask. There is no right of appeal against the refusal of a STBA or a UC advance.

There are also concerns that, even if a claimant manages to successfully apply many will be refused. In 2013/2014 there were 313,000 applications for SBTAs. Of these around 90,000 had benefit put in payment (something that could not happen under UC for at least six weeks unlike the two weeks in the current system), 79,000 were successful in receiving a SBTA but the remaining 144,000 received nothing.⁷ NAWRA members report advising claimants to request a STBA only to be told they can't have one by the jobcentre adviser and frequently being referred inappropriately to the local welfare scheme. Most local welfare schemes will not issue a crisis payment in this situation as it should be covered by the DWP. Claimants are therefore sent from pillar to post and often get nothing.

Other issues highlighted by NAWRA members were the additional administrative costs incurred. Increasing the wait for the first UC payment to over six weeks means it is likely that a very high proportion of UC claimants will need to apply for an advance payment. If the first UC payment was made within a reasonable time frame, say two weeks as now, then this would negate the need for a lot of advance payments.

⁴ <https://www.nationaldebtline.org/EW/Pages/CHHB-press-release.aspx>

⁵ http://www.theguardian.com/society/2013/apr/21/jobcentre-staff-fail-poverty-loans?CMP=tw_t_fd

⁶

<http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140113/text/140113w0004.htm#1401145000056>

⁷

<http://www.publications.parliament.uk/pa/cm201415/cmhansrd/cm140911/text/140911w0003.htm#14091149000120>

Safeguards around UC advances

Question 6: Are there any safeguards needed around the award of UC advances to help manage this?

A wide range of safeguards were suggested with many of them coming up over and over again. NAWRA would recommend that all of the safeguards are implemented irrespective of whether the proposed waiting days go ahead. Even without the waiting days the period of time before the first payment is very long. Suggested safeguards included –

- advance payments offered automatically as part of the UC claim process so that they are not subject to the whim of individual advisers at the jobcentre;
- information about advance payments put on gov.uk and other sources of information;
- automatic entitlement if requested;
- effective administration allowing payment to be made within a week of claim;
- a free (including from mobiles) dedicated phone line to deal with any issues;
- flexibility on the amount of the advance according to need;
- flexibility on repayments – suggestions included a break of maybe a couple of months before repayment started and flexibility to repay over a longer period subject to circumstances;
- parts of advance payment that are meant to cover rent paid direct to the landlord;
- effective budgeting support to all claimants particularly those who may be vulnerable such as those with learning disabilities or mental health problems.

It was also observed by members that there would be less demand for advance payments if, for example, UC could be paid as split payments twice a month for the first few months.

Impact of losing a week's housing money

Question 7: UC includes an amount for housing costs. What will be the impact of losing a week's housing money?

Yet again the same issues were raised time and time again by members and included –

- increased rent arrears which may never be made up taking away the opportunity to move in order to find cheaper housing or avoid the bedroom tax;
- increased reluctance by private landlord to take on benefit claimants – one member said '*we work with homeless people – landlords already have to wait for benefits for housing and this will make them even more reluctant to house this sort of tenant*';
- increased debt for social landlords – another member said '*we are a small housing association and cannot afford to lose a week's rent for everyone that will be affected by UC*';
- risk of notices seeking possessions being issued causing increased anxiety and stress;
- ultimately evictions and homelessness – will it be considered intentional?;
- increased burden of debt leading to use of payday lenders and loan sharks;

- poor relations between tenants and landlords;
- tenants at risk where landlords are unscrupulous;
- strain on already stretched supporting agencies – housing associations, homelessness services, advice services.

A major concern is also whether claimants will realise that they will be falling in to rent arrears. In the FCHO survey (referenced in the Question 4 response) 22 per cent of claimants said the jobcentre had not informed them that their rent needed to be paid out of their UC money.

Additionally, a recent report from the Resolution Foundation⁸ reported that 1.6 million UK households spend more than half their disposable income on the ongoing costs of housing each month. Around 480,000 of these households are where nobody works and around 830,000 have incomes below the national median. These figures have grown significantly since the early 2000s and give an indication of the severity and level of debt that will be caused by losing a week's housing money.

Who will be more affected?

Question 8: Will some groups of claimants be more affected by this? Please give details.

Many members stressed that this is a particularly damaging policy for all claimants but did highlight that certain groups would be affected more than others –

- those with particularly high rents, eg large families, tenants in the private sector, and those in the London and the south-east, as one week's rent represents a much larger sum;
- those hit by the benefit cap and bedroom tax who will already be struggling to make ends meet and because of this policy may have rent arrears that prevent them moving within the social sector;
- those who have irregular work or on zero hours contracts who may be more dependant on benefit payments;
- those who are more likely to be on a low income long-term, eg people with disabilities and long-term health problems;
- vulnerable people who may be less able to cope or seek advice, eg those with learning disabilities, mental health problems, drug or alcohol problems;
- those who are unable to move into work, eg because of health or caring issues;
- people who are already in debt or rent arrears as the loss of an additional week's rent money may tip them over the edge;
- recently separated parents who may have other financial issues to deal with.

⁸ <http://www.resolutionfoundation.org/publications/housing-pinched-understanding-households-spend-housing-costs/>

Impacts of losing a week's children elements

Question 9: UC includes support for children. What will be the impact of losing a week of the children elements?

There was a very strong response to this question highlighting the spiral of destitution that this could cause. Without the money to buy the basics of food, heating and nappies, children and their families will go hungry and cold. This will lead to increased stress and anxiety, which in turn will lead to arguments and possibly to violence or abuse as families reach breaking point.

There may not be money to pay fares to school or hot water to wash clothes. Children may miss school or arrive late or dirty and be subject to bullying. The knock on effect on their education and ability to cope and concentrate at school will be affected and they may not be able to take part in school activities. As one member said, *'children could go hungry, parents will not have money to top up gas and/or electric so how do they have baths or get themselves cleaned up? No electric equals no light – how do they do their homework?'* As the children's education is affected so this leads to a cycle of poverty.

Losing the money in the UC will have a knock on effect on other services. There will be additional demand on Children's Services and section 17 Children's Act funding, foodbanks and on local welfare assistance schemes which are under threat also. As already mentioned families are likely to turn to payday lenders and loan sharks and therefore set up a cycle of debt which they cannot get out of.

It has been shown by the Joseph Rowntree Foundation⁹ that over recent years working-age benefits have deteriorated substantially compared to the 'minimum income standard' (amount needed to achieve a socially acceptable standard of living) and that families with children are particularly squeezed. Taking away a whole week's money will squeeze those families even further – and possibly tip them over the edge

Who will be more affected?

Question 10: Will some groups of claimants be more affected by this? Please give details.

While all families will be badly affected NAWRA members highlighted the following –

- families with a large number of children as more money is lost;
- those with older children who have to pay fares to school;
- those who do not have access to alternative support such as family;
- those with disabled children who are already penalised within UC due to the lower disabled child elements;

⁹ <http://www.jrf.org.uk/publications/MIS-2013>

- lone parents having to cope on their own;
- those with young children with additional costs such as nappies;
- those who may already find budgeting difficult eg people with learning disabilities, mental health problems;
- families who are subject to the benefit cap in addition;
- those in rural communities where it may be harder to access support.

Impact of losing a week's childcare support?

Question 11: UC includes an amount for childcare. What will the impact of losing a week's help with childcare?

Some new claimants of UC will have childcare set up already as they may have come from a working situation. If they lose a week's childcare money it may mean they lose the placement or put a strain on their relationship with the childcare provider. Much childcare is oversubscribed which may then mean they are unable to get the placement back when they need it. This may then prevent them getting further employment and make it more difficult for them to look for work putting them into a cycle of reliance on benefit. It would also be extremely disruptive for the children if arrangements keep changing. And in some cases if the place is lost parents may decide to do without the childcare eg where a primary school child loses an afterschool club place, they may instead become a 'latchkey kid' left to fend for themselves.

For those who are currently working it may mean they cannot attend work as they cannot take their child to childcare. This will impact on their relationship with their employer – and possibly even on them keeping their job.

As with the other areas, claimants may resort to payday lenders and loan sharks to avoid the above consequences but then find themselves in a spiral of debt that they cannot get out of. Or they will try to make ends meet other ways such as going short of food or other necessities.

Who will be more affected?

Question 12: Will some groups of claimants be more affected by this? Please give details.

Those highlighted by NAWRA members as being more severely affected included –

- those with more children in childcare or in longer hours as higher costs will be lost;
- lone parents as there may be less flexibility for managing the situation;
- those without family support or other back-up;
- people on zero hours contracts who may have other financial insecurities to balance;
- people in jobs which have less flexibility which often includes jobs at the lower end of the payscale eg carers, retail workers etc;

- those with disabled children who it may be more difficult or more expensive to find an appropriate childcare place for;
- disabled parents who may be particularly reliant on the childcare.

Impact of losing the extra amount for a carer

Question 13: UC includes an extra amount for a carer. What will be the impact of losing this for a week? (Note – this would only affect couples where the partner is subject to all work-related requirements)

NAWRA members commented that this was a particularly harsh rule as, in effect, those who are caring for a disabled individual will lose more money than those who are not. Carers frequently get very little recognition for what can be many hours of caring each week. To take away the small recognition they do get, even if only for a week, is very punitive. Without the work they do caring it is likely there would be far greater additional costs on the state and therefore carer’s money should be protected.

Who will be more affected?

Question 14: Will some groups of claimants be more affected by this? Please give details.

It was hard to particularly identify the hardest hit in this category but groups highlighted were those without other sources of support, those already stretched to the limit, and those who may be least able to cope (eg with learning disabilities or mental health problems).

Impact of losing the extra amount for limited capability for work/work-related activity

Question 15: UC includes an extra amount for limited capability for work/work-related activity? What will be the impact of losing this for a week? (Note – this would only affect couples where the partner is subject to all work-related requirements)

The additional amounts for limited capability for work /work-related activity are the only elements of UC that recognise disability or long-term health problems. There are no equivalent of the disability premiums or disabled worker elements that exist in the current means-tested benefits

system. Many disabled people will therefore already be substantially worse off under UC and struggling to make ends meet – this will just exacerbate the situation further.

Many issues raised by members were similar to previous questions and include –

- reliance on payday lenders and loan sharks;
- those expected to carry out work-related activity finding it difficult to meet their commitment and therefore being at risk of sanctions further jeopardising their income;
- increased stress and anxiety leading to deteriorating health;
- insufficient money for basics – food, fuel and rent;
- increased reliance on foodbanks, local welfare assistance etc.

Who will be more affected?

Question 16: Will some groups of claimants be more affected by this? Please give details.

Yet again the same groups were highlighted – those without other resources and already struggling, those with more severe or long-term health problems or with high disability-related expenditure.

Impact on those working 16+ hours

Question 17: The waiting days rule will also affect claimants who would not claim JSA eg those working 16+hours per week who need to submit a new claim. What will be the impact on this group?

Claimants in this group are likely to have already suffered a dip in income as they are probably starting a claim for UC due to reduced working hours. This means they will already be struggling to maintain their budget. Loss of a whole week's UC will exacerbate this situation and lead to the same problems as previously stated – resorting to payday lenders and loan sharks, increased health problems, going without essentials, reliance on foodbanks and local welfare.

A number of claimants in the category may also be subject to 'in-work conditionality' if they are not considered to be earning enough. Lack of money may mean they cannot afford fares or to print CVs meaning they fail to meet their claimant commitment. This could result in sanctions and further financial hardship.

Should other exemptions be included

Question 18: The current list of exemptions includes: terminally ill, recent victims of domestic violence, care leavers, 16 to 17 year olds without parental support, discharged prisoners. Should any other exemptions be included?

There was huge concern among NAWRA members about the many vulnerable groups that would be severely affected by this proposal. The overwhelming feeling was that no one should have to serve the waiting days. However, particularly vulnerable groups included –

- those with disabilities or unable to work;
- carers;
- homeless claimants and those in temporary accommodation;
- people in supported accommodation;
- those with a possession order already against their home;
- claimants who are over 60;
- those with dependent children;
- recently discharged from hospital;
- prisoners discharged up to a year ago;
- those with savings below a fixed level (£2,000?).

Additional comments

Question 19: Do you have any other comments on the proposal?

There is already a lot of uncertainty and anxiety about how UC will work in practice. It still remains to be tested among the more vulnerable groups. Current claimants only include fit, healthy jobseekers without children. Despite this being the group who are most likely to manage the research from FCHO (referenced under Question 4) clearly shows that many are not coping with the current delay between making the claim and the first payment. The likely effect on more vulnerable claimants who could lose amounts equating to hundreds of pounds could be catastrophic. The report by StepChange referenced on page 3 highlights the social cost of debt in the UK so the effects of this policy would be far-reaching and profound.

This government reiterates time and again how it is rolling out UC on a ‘test and learn’ basis. Surely a policy such as this should not even be considered until it is seen how claimants cope with the budgeting difficulties that exist within the current legislation.

Recommendations

NAWRA would like to stress in the strongest possible terms its complete opposition to this policy. What came over time and time again in the survey responses was the spiral of debt and destitution that would occur due to the cumulative effects of this proposal. Based on the overwhelming evidence submitted by our members NAWRA recommends -

1. That the DWP reconsider its position and reverse this policy change - UC should be fully rolled out to all claimant groups and the impact and implications of the current policy properly considered before any further change is implemented.
2. Advance payments should be offered to all claimants during the claim process and qualification should be automatic for those that qualify.
3. Information should also be available about advance payments on gov.uk.
4. A longer repayment period should be available for those that are having difficulty with the repayments.
5. No sanctions should be applied where claimants fail to meet jobseeking or work-related activity due to financial reasons – particularly during the first month of claim.