

IMPLEMENTING UNIVERSAL CREDIT: WILL THE REFORMS IMPROVE THE SERVICE FOR USERS?

Universal Credit (UC) will replace means-tested benefits and tax credits for people out of work or on low incomes, and transform the system of service delivery. But will UC improve service delivery and incentives to work, and reduce the complexity of the system? This study found support for reform, but identified risks that need addressing if UC is to bring about genuine improvements for all service users.

Key points

- Switching to monthly single payments to households is a significant challenge to low-income families, and likely to affect women disproportionately.
- The scope and scale of financial support and advice to help people through the transition need urgent clarification. Payments of UC need to be explained clearly and regularly, with the elements intended to support children identified separately.
- Service users must be informed about how schemes are changing at a local level. Minimum national standards for face-to-face services and replacements for the Social Fund would help to ensure transparency and consistency, while still allowing for local flexibility in provision.
- The Government needs to review the impact of localisation on UC's key aims. If the evidence suggests that the main benefits of reform have not been realised, localisation (particularly of Council Tax Benefit) would need reconsidering.
- The 'claimant commitment' needs to be an agreement between the service user and the Department for Work and Pensions, setting out the actions the claimant should take to prepare or look for work. It also needs to include a clear statement of the support claimants can expect in return.
- There needs to be a more visible ombudsman for the benefit and employment services system.

The research

By Amy Tarr and Dan Finn,
Centre for Economic and
Social Inclusion

OCTOBER 2012

BACKGROUND

The introduction of Universal Credit (UC) represents the biggest change in the benefits system in years, with much of its impact dependent on successful implementation. This study reviewed recent reports and findings relevant to implementing UC, and interviewed key stakeholders.

Addressing IT concerns and the risks of system failure

The information technology (IT) for UC is being developed using methods that take an incremental approach to design. The system will use 'real-time information' (immediate, regular data) collected by HM Revenue and Customs (HMRC). This should allow the Department for Work and Pensions (DWP) to calculate UC payments without claimants needing to supply information on employment or pension income. The DWP is confident that the systems will be ready in time for implementation, despite concerns among IT experts that the timetable is unrealistic. The consequences of system failure would obviously be serious for recipients of UC; DWP needs to clarify the 'stand-by' arrangements being put in place to ensure that claimants are paid.

Creating an accessible claims process for all

Claimants will make a single application for UC. The expectation is that most claims, notifications of changes in circumstances and payment checks will be made online using an automated system. While DWP has made progress in developing a coherent strategy for this system, it needs to go further in demonstrating how it will ensure that no service user is excluded.

Crucially, those whose claims are not processed and managed electronically will need access to face-to-face or telephone support that is as simple, efficient and accessible as that available online. Local authorities will be expected to provide face-to-face services for those who are unable to manage their benefit claim electronically. However, tight deadlines have left limited time for designing these services and, where services are being piloted, little funding has been made available for service delivery.

Planning for payment changes

The decision to distribute UC at household level has been criticised for its potential to create an unfair bias against women. Furthermore, incorporating payments for children into UC means that child-related support will not necessarily be paid to the main carer. This has given rise to concerns that the support may be less likely to reach the children it is meant to help.

The shift towards monthly payments has also been met with anxiety among service users. If no financial assistance will be available to bridge the gap, it is essential to prepare claimants well in advance for the shift to monthly payments so that they can start to make provision for possible shortfalls. If financial assistance will be available, but requires service users to borrow money (through an advance payment, for example), this may lead to many UC recipients beginning their claim in debt. In this key transitional stage, the Government needs to improve the availability of financial advice and support. The lack of clarity regarding such support and when services will be established gives much cause for concern.

Risk of eroding simplification by localising support

Universal Credit will not eliminate complexity from the benefits system. The ambition to simplify means-tested support appears to have been undermined by incremental design decisions which have reintroduced complexity. Localised rebate schemes for Council Tax and other DWP arrangements for 'passported' benefits (Income Support, Jobseeker's Allowance, Pension Credit Guarantee) are being introduced. These are likely to mean losing the single taper rate (the rate benefits are withdrawn as earnings rise) and introducing further administrative layers for claimants. Many different local arrangements are being developed for replacing Council Tax Benefit (CTB) and the community care grants and emergency crisis loans elements of the Social Fund. Local Jobcentre staff, intermediaries and service users will need to understand how national and local arrangements interact, and calculate how this affects the complexity of the system and incentives to work.

A set of national minimum standards would help to ensure a guaranteed level of service for users, while still allowing for local flexibility in provision. The Government needs to review the impact of localisation on the key aims of UC. If the resulting evidence suggested that the main benefits of UC have not been realised, localisation – particularly of CTB – ought to be reconsidered and, if necessary, reversed.

Improving financial incentives to work and providing effective employment services

As a central tenet of UC, 'making work pay' will be a key determinant of success for the Government's welfare reform plans. Although the new system may encourage more people to undertake 'mini-jobs', the incentive to work full time increases only marginally for some; for others it is weaker than in the existing system. Marginal increases in earnings provide insufficient incentive for people to move into work. Since other barriers to work – particularly childcare costs – are likely to persist, the improved financial benefits of working while claiming UC are unlikely to materialise for some groups. This applies particularly to second earners in households, many of whom will face weaker incentives than in the current system.

Alongside implementing Universal Credit, DWP has committed itself to transforming Jobcentre Plus operations by modernising its service delivery and giving advisers the discretion to assess claimants' needs and offer the support they think most appropriate. If the system is to deliver increased flexibility and more personalised service, DWP will need to develop Jobcentre staff's expertise on the details of reform and how employment support can be shaped to best support the aims of UC. Employment support needs to focus on maximising the benefits of reform, with appropriate advice and support to ensure that difficulties with a claim or UC payment do not disincentivise work.

A network of Work Programme providers across Great Britain assists service users who require more intensive employment support. However, the current model was not designed to support employment of fewer than 16 hours per week – which UC is supposed to incentivise. It is also unclear what role Work Programme providers will have in implementing in-work conditionality, which will require UC recipients to increase their employment efforts if they are below their 'personalised earnings threshold'. While sustainment fees reward providers when people stay in a job, they do not encourage providers to help people to progress. There is limited time to address these issues. Work Programme providers need clarity on how these elements of programme design will be amended before UC's introduction.

Universal Credit and self-employment

DWP estimates that around 600,000 UK households on UC will include at least one individual whose main employment is self-employment. The draft UC regulations outline a different set of rules for self-employed recipients reporting income to HMRC. Experts and representative bodies have major concerns that UC could actually disincentivise people from starting their own businesses, because

of the administrative burdens that would be placed on them. Monitoring the impact of the new regulations on the numbers of people choosing to set up enterprises will be critical. The Government should consider how existing programmes – such as the New Enterprise Allowance scheme – can assist self-employed service users to overcome the pressures of additional administrative burdens.

Conclusion: balancing service users' rights with their new responsibilities

All adult recipients of UC will have to agree a 'claimant commitment'. Instead, this should be an *agreement* between service user and adviser rather than a one-sided commitment to DWP. The commitment needs to set out the actions that claimants should take to prepare or look for work, as well as providing a clear statement of the support they can expect in return, relative to their particular conditionality group (no work-related requirements; work-focused interviews only; work preparation and work-focused interviews only; or subject to all work-related requirements).

The move towards a tougher sanctions regime and the introduction of in-work conditionality need to be accompanied by sufficient, appropriate support to help people meet the terms of their entitlement, and a fair, efficient system of redress. Getting this balance right will require easily accessible channels for service users to be heard. DWP should not underestimate the value of user feedback as a tool for improving service delivery and evaluating the success of UC implementation.

The DWP Customer Charter will remain in place. However, there is a case for appointing a far more visible ombudsman for the benefits and employment services system, to whom complaints about service delivery and quality could be addressed. This ombudsman could also make an independent assessment of how well the balance between responsibilities and service users' rights is being achieved.

About the project

This study builds on the findings of a JRF report, *Delivering benefits, tax credits and employment services* (Finn *et al.*, 2008), which identified how problems in the design and administration of the benefits and tax credits system affected service users. This study reviewed recent reports and findings relevant to implementing Universal Credit, and interviewed key stakeholders.

FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of the JRF.

The full report, **Implementing Universal Credit: will the reforms improve the service for users?** by Amy Tarr and Dan Finn, is available from the Centre for Economic and Social Inclusion at <http://www.cesi.org.uk/node/1226>

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ISSN 0958-3084

Joseph Rowntree Foundation
The Homestead
40 Water End
York YO30 6WP
Tel: 01904 615905

email: publications@jrf.org.uk
www.jrf.org.uk
Ref: 2835