



# How can Universal Credit help parents move out of poverty?

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by Lucy Bush, Max Templer and Katharine Allen

This report looks at how Universal Credit (UC) can be changed to loosen the grip of poverty on working parents. Priorities for change include increasing the amount of UC, allowing claimants to keep more of what they earn, more support with childcare, and reducing the caseloads of Work Coaches.

# How can Universal Credit help working parents move out of poverty?

Lucy Bush, Max Templer and Katharine Allen, BritainThinks

This research looked at how Universal Credit (UC) could be changed to reduce poverty among working parents. Research was conducted with working parents on UC and Jobcentre Plus Work Coaches to get their views on the UC rollout, the impact on working parents and barriers to increasing earnings from work. Priorities for change included increasing the amount of UC, allowing claimants to keep more of what they earn, more support with childcare and reducing the caseloads of Work Coaches.

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## What you need to know

- Working parents involved in this research saw UC as a contributory factor to their poor standards of living.
- Work Coaches felt they did not always have the time or expertise to help working parents increase their income and move out of poverty.
- Suggested reforms included: increasing the amount of income that working parents derive from UC, more effective incentives to increase working hours, reducing the financial and administrative burden of childcare, and giving Work Coaches more time and training to support working parents.

## We can solve UK poverty

JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. *How can Universal Credit help working parents move out of poverty?* plays an important part in delivering an effective benefit system – a key focus of our [strategy to solve UK poverty](#).

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# Executive summary

## Working parents' views on their standard of living and Universal Credit

The working parents we spoke to did not feel they had an acceptable standard of living and felt trapped by their circumstances. Most were only just able to cover their basic living costs. There were instances where claimants were forced to 'juggle' which of their bills they paid each month and most lacked money to spend on social or leisure activities.

Claimants saw Universal Credit as a contributory factor to their poor standard of living. While changes to the benefits advance and waiting period appear to have reduced the negative financial impact of the transition to UC compared to 2017,<sup>1</sup> many had struggled to manage in the weeks before their first UC payment came through. For example, several people had to borrow money from friends and family during that time, and once on UC, participants who had a benefit advance saw their overall income (and standard of living) decrease as a result of having to repay it.

Many said they found it harder to manage their finances on UC due to the shift to monthly payments and the higher levels of variability in the benefit amount each month. Most participants described how they thought of UC as covering their regular monthly costs (rent, utilities, etc.), with their earnings covering day-to-day outgoings such as food and travel. They placed a high value on the consistency in their UC payment, and thought the variability of UC payments made it harder to manage their finances.

## Working parents' views on work and Universal Credit

UC was not seen by either directly employed nor self-employed claimants as incentivising them to earn more from work, and was sometimes seen as a barrier. The majority of directly employed claimants thought the only way they could increase their income from work would be by increasing their hours – they did not think it was feasible to increase their hourly pay-rate. They were typically despondent about the likelihood of being able to get a better job or find a training opportunity that would boost their income.

UC did not act as a motivator because claimants did not think working more hours would leave them sufficiently better off. In part, this was due to low awareness of entitlements (particularly around childcare) and misperceptions of the taper rate (which many assumed to be essentially 100%). But even when informed about these factors, participants felt only marginally more positive about UC. They still thought the amount that their income would go up by would be too small to compensate for additional hours worked, once traded off against having less time at home and with children.

Self-employed claimants were more confident in their ability to increase their income from work, which they saw would come from running a profitable business. Their concerns centred around barriers to their business succeeding, such as lack of business know-how and the impact of the Minimum Income Floor (MIF) on their overall income.

## Working parents' priorities for changes to Universal Credit

The working parents we spoke to prioritised changes to UC that would make working more hours more financially beneficial to them. They wanted a decrease in the cost of childcare (seen as the main cost of working) or a greater increase in their overall income if they worked more hours. Self-employed claimants additionally prioritised changes they felt would give their business the best chance of success, including more business support and training and specific changes to the MIF.

## Work Coaches' views on Universal Credit

The Work Coaches we spoke to had mixed views on UC. Some considered UC a clear improvement on the legacy system, as it was simpler for claimants to navigate. Others felt that the rollout had been chaotic and had negatively impacted on claimants.

A small number of Work Coaches raised concerns about how well prepared to deliver UC their colleagues had been, pointing to a low understanding of the taper rate and the full range of entitlements for working parents. There were also concerns that UC is focused more on those able to work full-time and does not do enough to help working parents with childcare responsibilities (particularly single parents).

The available literature on UC suggests that offering greater support to claimants helps them to increase their earnings from work. However, the Work Coaches we spoke to did not feel they had the time available to offer this support due to large caseloads and the complex needs of some claimants.

# 1 Introduction

## Background to Universal Credit

Universal Credit (UC) is the Government's flagship reform of the benefits system, combining six means-tested benefits (Jobseeker's Allowance, Income Support, Housing Benefit, Employment and Support Allowance, Working Tax Credit and Child Tax Credit) into a single benefit. The key design aims of UC are to:

- encourage more people into work and to progress in work by introducing better financial incentives, simpler processes and increasing requirements on claimants to search for jobs
- reduce fraud error
- reduce the cost of administering benefits.

Since its introduction, UC has been beset by issues. The Department for Work and Pensions (DWP) commenced work to implement UC in 2010, with October 2017 set as the original completion date. However, this date has been pushed back multiple times since then, with a new completion date (as of the 2018 Budget) now set for December 2023.<sup>2</sup> According to the National Audit Office (NAO), four in ten UC claimants surveyed in June 2018 were experiencing financial difficulties and October 2018 DWP data shows 16% of new claimants did not receive their first UC payment in full and on time.<sup>3</sup> Claimants' financial difficulties have had knock-on effects on other services, with an increase in the number of benefits claimants falling into rent arrears and a growth in referrals to food banks (NAO, 2018). The 2018 UK Budget, like the 2017 Budget before it, is seen as trying to ease some of the problems being experienced.

Making sure work pays is a central goal of UC, but it is important to note it is being introduced against the backdrop of increasing levels of in-work poverty. Concerns about the financial impact of UC on working households were raised by analysis showing that cuts to UC announced in the July 2015 Budget would see more working households lose than would gain, compared to the tax credit system (Brewer et al, 2017; JRF, 2018). Changes announced at the 2018 Budget have gone some way towards reinstating financial support for working parents, but analysis shows some working households will still be worse off (Resolution Foundation, 2018). Research also shows, more broadly, that the prospects of low earners to increase their income from work are constrained by low pay and limited opportunities for progression, with five out of six low paid workers failing to escape low pay over a 10-year period (D'Arcy and Finch, 2017). For parents, the cost and availability of childcare, and need to balance working with caring, further constrains their options. A further goal of UC is to increase people's earnings from work, and the DWP has been trialling the idea of in-work conditionality; but there are queries around the extent to which this is an appropriate way to incentivise parents to earn more.

There has also been concern about the impact of UC on self-employed claimants, with the introduction of a MIF in particular seen as detrimental to their income. The MIF is an assumed level of monthly earnings equivalent to working on the National Living Wage (the number of hours will vary according to circumstances, such as age of children).<sup>4</sup> Self-employed workers who earn below this will not have the shortfall in their earnings made up by an increased UC payment, and those who earn above the MIF threshold will see their income from UC reduced in line with the standard taper rate. This is assessed monthly. The taper rate is the rate at which UC payment reduces as earnings increase. It currently stands at 63%, meaning claimants lose 63p for every £1 they earn over a set monthly work allowance.

Under the original design of UC, the MIF would apply immediately to anyone self-employed for over 12 months at the point when they transition onto UC. For those who have been self-employed for under 12 months or starting a new business, the MIF is introduced after 12 months on UC. The 2018 Budget announced that the 12-month grace period would apply to all self-employed people, although the measure will not come into force until September 2020 for claimants joining UC as a result of a change of circumstance. Those moved to UC by the DWP as a result of managed migration (commencing in July 2019) will have the grace period applied.

The operation of the MIF is expected to leave four in five low income self-employed Londoners worse off, with an average loss of £344 a month (£4,128 per year) under UC compared to tax credits (Tonutti, 2018). Those with volatile incomes are likely to be particularly negatively affected as they will earn above the MIF in some months (receiving less or no UC as a consequence) and far beneath the MIF in others (receiving little in the way of a 'top-up' from UC) (Dellot, 2017).

## Project aims and methodology

While existing research and analysis is valuable, it does not often look at the world through the eyes of low-income working households themselves. For this reason, JRF commissioned BritainThinks to hold focus groups and deliberative workshops with working parents claiming UC to explore:

- the impact of UC on the living standards of working parents
- the impact of UC on working parents' ability to increase their earnings from work
- the views of working parents on UC's priorities for change for UC.

Part of the purpose of UC is to support claimants to get on in work, increasing their income from earnings and reducing their reliance on UC. As such, the research included a small number of interviews with Jobcentre Plus Work Coaches who had delivered UC to explore their views on:

- UC rollout and service delivery to working families, including support to increase their earnings
- priorities for changes to UC.

The project included:

- Focus groups followed by deliberative workshops with 30 parents on UC (full service) in Rochdale and North Tyneside. The sample included seven self-employed parents in Rochdale, and a mix of couples and lone parents with a range of working patterns. All had children of primary school age or younger. Claimants were recruited on-street and not through advice centres and support services.
- Interviews with six Jobcentre Plus Work Coaches who delivered UC in full service areas. They were drawn from five different Jobcentre Plus areas. They were recruited through a free-find methodology and not through Trade Unions, Jobcentres or the DWP.

Fieldwork occurred between 6 August and 21 September 2018. It took place before changes to UC were announced by the Chancellor in the 2018 Budget. For more detail on the methodology and sample, please see the Appendix.

## 2 Standard of living among Universal Credit claimants

Once UC is fully rolled out, it will play a major role in setting the living standards of low income working families in the UK. To get a sense of what this means, we asked about the current standard of living working parents experienced on UC, and the experience of claiming UC.

### Claimants' current and desired standard of living

Claimants were thinking about their 'standard of living' in terms of the state of their finances and their emotional wellbeing. On their current levels of income, they did not think they were able to achieve an acceptable standard of living.

Participants did not feel that being on UC was the main reason why they had a low standard of living, but they did think it was a contributing factor.

When considering their own standard of living, the working parents on UC that we spoke to thought about both their **finances** and their **emotional wellbeing**. A key part of their emotional wellbeing related to how they felt about their role as parents and the lifestyle they were able to provide for their children.

The working parents we spoke to who were receiving UC said they were currently struggling to achieve or maintain what they view as an acceptable standard of living. Furthermore, they expressed little optimism about their prospects for being able to improve their standard of living in the short or medium term.

#### Finances

Participants' aim for their finances was to be able to meet their basic household financial obligations (with some money spare to cover ad hoc costs). However, the claimants we spoke to typically fell into one of two camps: those who were usually **just meeting** their monthly household costs and those who were usually **just missing** their monthly financial obligations.

Added together, the costs of housing, utility bills, food, clothing, travel and (for those using it) childcare were often pushing the working parents we spoke to up to the limit of their income and, for some, beyond their income. For the former, a delicate equilibrium usually allowed them to cover their basic outgoings, but they were at great risk of falling behind with payments should an unexpected cost come up in the month. For example, one participant's car had recently broken down and she was concerned that she would be unable to pay for it to be repaired without taking out a loan. For those whose outgoings usually outstripped their income, small loans from family members or a tactic of 'rotating' the payment of household bills helped them to just about manage their household budget. Across the sample, no participants were able to save money at the end of each month or build their financial resilience.

*"Some months you have got a five-week month, haven't you? That is when I have to borrow off my parents if it's a five-week month, because I can't manage for that last week. So, it is hard work."*

Female, directly employed, Rochdale

### Case study: Vicky\*

Vicky is a single parent living in Rochdale. She works 16 hours a week as a Lunch Supervisor at a local school and has a 10-year-old son. Since being moved onto UC she has found it harder to manage her finances, especially the change to a monthly payment. She described how she 'rotates' the household bills she cannot pay in order to ensure that she does not fall into severe debt with any one organisation. She has realised that her council tax and water bills are ones where there is usually a bit more flexibility with the payment date. So, in a month where she cannot afford all the outgoings, she says she will cancel her direct debit to the council and wait until she is chased for payment (buying her a bit of time) before paying it. She says as long as she pays up before it gets to the point of receiving a court summons or risking bankruptcy, she can manage her finances in this way.

"I miss my Council Tax ... I'm on a direct debit thing now [and] sometimes I have to cancel my direct debit because I think I can't afford to pay that 60-odd quid. It has gone to 75 now because I missed it ... So if I'm having a bad month and I need that 75 pound, I will just phone the bank and cancel it."

Female, directly employed, Rochdale

\*Names in all case studies have been changed

## Emotional wellbeing

Emotional wellbeing was also seen as a key element of a good standard of living by our participants. To this end, participants wanted to be able to spend some money on social/leisure activities and to have some left over to save (giving them peace of mind).

When asked to describe how they felt about their lives, participants responded almost entirely with negative words and phrases – they broadly did not think they were able to achieve a level of emotional wellbeing commensurate with an 'acceptable standard of living'. Not only did they feel they were lacking enjoyment and fun in their lives, they also associated feeling anxious with managing on a low income.

"Tiring, repetitive, boring."

Female, directly employed, Rochdale

"Because you are just left with nothing at end of month. It makes you feel crap, doesn't it?"

Male, directly employed, Rochdale

The striking thing that many participants had in common was their inability to take part in social engagements and leisure activities. None felt they had enough money left after paying the bills to spend on relaxing and having fun with their friends or children. Participants said that being able to take their children for a meal once a fortnight or on a day-trip to the countryside or seaside in the summer would be a mark of an 'acceptable' standard of living, but that it felt out of reach for them. In one specific example, a participant in Rochdale had wanted to take her child to Blackpool Pleasure Beach during the summer, but felt it was too expensive to justify doing so.

"Everything is structured and planned and it just gets you down, it wears you down. That is why it is boring because you can't do anything."

Female, directly employed, Rochdale

"Even if it wasn't every weekend, even if it was like every second weekend, you know, even if it was just twice a month. 'Right, we will go to the ballpark' one day, or Jump Nation or whatever, and then two weeks later 'we can take you bowling', but you can't do that."

Female, directly employed, Rochdale

"I don't think you actually could get into a relationship because you couldn't go out ... you've got to go out, go on dates and stuff, and you've got to be able to wear nice clothes and get your hair done and stuff like that, and you can't."

Female, directly employed, Rochdale

Fundamentally the feeling of monotony and stress was about having poor or precarious financial health but it translated into a broader sense of not being able to make a change or improve their circumstances.

Participants described a sense of feeling trapped in their situation or as being ‘on repeat’ – just about managing to make it through the month or the year, only for it all to start over again.

“It’s a vicious circle, ‘oh no this again’ kind of thing. It is the same stuff, different day, bills, just repetitive.”

Female, directly employed, North Tyneside

In addition to this, participants’ role **as parents** was an important factor when thinking about their standard of living in terms of their emotional wellbeing. This meant being able to spend time with their children, for example by being present for mealtimes and being able to take them to and from (primary) school.

Where participants felt less able to achieve an acceptable standard of living in terms of their role as parents, was in being able to pay for activities, experiences or products that they thought their children should be able to expect and enjoy. As a consequence, many were worried that their children were not having a good childhood. Participants talked about worrying their children were bored because there were no activities they could do and felt excluded as they could not afford to take part in the same activities as their friends.

“My kids have got 99%, maybe 100% attendance at school and then when it comes to the summer holidays and you want to take them abroad then the prices triple ... but then if you try and take them out of school then you get punished from the school, a fine or something ... so I don’t bother. It is just trying to juggle what is the best thing to do, what is right to do?”

Female, directly employed, North Tyneside

#### Case study: Johann

Johann is a self-employed painter-decorator with an 8-year-old son. He lives with his partner and child in Rochdale and works in the Greater Manchester area. Johann feels like he works all the hours available to him (often verging on 60-hour weeks) and only just makes enough money to get by, with nothing left over at the end of the month. He often finds himself stressed about money and pushing himself to work longer hours to try and increase his earnings.

Johann finds this particularly difficult when thinking about his son, who he is worried is being left behind by his friends who can afford to do paid social activities (such as horse riding and day-trips to the countryside) and who have been on holiday abroad. Johann feels this reflects negatively on his ability as a parent.

“My little lad is only eight ... I look at him and I feel that he has got a slightly impoverished childhood. He has never been abroad apart from once when he was two, and he has never been to a farm or discovered, you know what I mean?”

Male, self-employed, Rochdale

## The impact of Universal Credit on working parents’ standard of living

UC was seen by participants as one of the factors preventing them from achieving an acceptable standard of living and many felt it had negatively impacted on their standard of living. For some, this was from a practical, financial point of view, in that they simply felt they had less money. But, for almost all of our participants, the change to a monthly payment and the variability of payment amounts under UC had made managing their finances more difficult and stressful. Importantly, while there were other factors that participants felt were preventing them from achieving what they considered an acceptable standard of living (with the job market and participants’ perceptions of their place within it key among these) none felt that UC was helping them to overcome these issues.

## The direct financial impact of Universal Credit on working parents

From a practical, financial point of view there were two key changes participants reported having noticed since claiming UC. First, they had all found it difficult to manage during the five-week waiting period. Second, from a small number of participants (who also tended to be those with a clearer handle on their household finances) there were reports that their overall income level from benefits had decreased.<sup>5</sup>

There were several examples of parents in our sample struggling to make ends meet during the waiting period. These problems with the waiting period were more pronounced in North Tyneside, where a greater number of the participants had experienced a waiting period of six weeks or longer and who, consequently, had found the final weeks particularly difficult. A number of these participants mentioned having to borrow money from friends and family, which they had found embarrassing and made them feel ashamed.

**“[After waiting six weeks] It was really hard. I had to borrow money off friends.”**

Male, directly employed, North Tyneside

However, it is important to note that compared to the previous research we conducted in late 2017 (BritainThinks, 2018), the level of hardship claimants appeared to have experienced was lower. We believe this was due to three key changes in the past year:

- Better communication of the benefits advance meant that take up of the advance was increased – meaning fewer had gone the full waiting period with no income from UC.
- Increases to the benefits advance (from half a monthly payment to a full payment) meant that most had a level of overall income that enabled them to not fall behind on payments.
- Reduction to the waiting period (and improved timeliness of the initial payment) meant that the actual time spent waiting was lower than in 2017.<sup>6</sup>

However, while changes to the benefits advance had reduced the level of hardship among the sample while they were waiting for their first payment, the impact of having to pay back the advance had a notable negative impact on participants’ finances and standard of living over the longer run. Almost all participants had taken the benefits advance when being migrated onto UC, which then directly reduced their UC income during the repayment period. Many found it confusing and frustrating that they had been, in essence, forced into debt to the Government as a result of the Government changing the system.

**“When I spoke to the lady about Universal Credit, she was saying about the ... advance payment that you can get, it’s to stop everybody having overpayments ... but you pay it back every month.”**

Female, self-employed, Rochdale

**“There was an emergency thing you could have opted for, but I thought by the time that gets deducted off each month, I need that money, so I just borrowed off my family and then paid them back.”**

Male, directly employed, North Tyneside

Finally, throughout our sessions with claimants, we saw that many had low levels of awareness of their full entitlements on UC. In particular, many claimants were unaware that their children may be eligible for free school meals or that they could claim childcare costs back under UC. Indeed, only one participant out of twenty in North Tyneside claimed they knew they could claim childcare costs under UC. Consequently, many were paying for their children’s school meals (often at significant cost each month) and exclusively using informal childcare as they felt unable to cover the cost of formal childcare themselves. This lack of awareness of their entitlements meant many were not feeling some of the potential benefits from UC to their finances and the knock-on effect this might have had on their standard of living.

“Well, my kids have packed lunches so then I have the stress of that, making sure I’ve got packed lunch in, there’s enough to last the week. And then if not, I’m running out in the morning to go to the shop. You wouldn’t have that stress if you knew you had free school meals.”

Female, self-employed, Rochdale

## **The impact of Universal Credit on working parents’ ability to manage their finances**

Our participants felt that being moved on to UC had made it harder for them to manage their money. The shift from regular weekly/fortnightly payments under the legacy system to a monthly payment direct to their bank account was a common source of anxiety as claimants said they were struggling to adjust to a new, longer-term form of budgeting.<sup>7</sup>

“I just prefer to be on my weekly money, to tell you the truth, because you know where you are up to.”

Female, directly employed, North Tyneside

“You manage week to week better than you manage month to month, you think you get all that money [but] that money has got to last you ... all month”

Female, directly employed, Rochdale

Another key factor of the emotional impact of UC was the introduction of an additional variable element to their income, which claimants said had made it harder to understand the state of their bank balance over the course of the month.

Our participants described their approach to budgeting. Most did not think of their income as a single pot of money; rather they tended to mentally ascribe their UC payment to covering their fixed costs (such as rent and utility bills) and their income from work would be used for day-to-day outgoings (such as food and travel). This meant consistent benefit payments were important to them. This expectation was, in part, based on their experience of the legacy system in which their housing benefit was just a fixed amount of money that they did not have to handle and that they knew would cover/contribute to their rent each month. It also came from an assumption that given UC is a monthly payment it should be used therefore to pay for the monthly household bills, while their ongoing expenditure should be funded by their (often weekly) wage packet. In this way, claimants were looking to ensure their most important outgoings (their rent and bills) would be covered, and the areas where they had more scope to cut back, could be more closely matched to the amount of money they were earning.

Therefore, the realisation that their housing payment might actually decrease if they worked a few more hours was a source of great anxiety. The move to monthly payments also made calculating the amount they ought to be holding back from their wages to cover any deficit even more complex. This had a real impact on the ability of claimants to feel in control of their finances and confident they could pay their rent every month. It was a cause of concern especially for those on variable incomes, such as those on zero-hour contracts, those who are self-employed and those who have the option to work overtime.

“You don’t know how much they are going to take off you. So you don’t know what you got coming in.”

Male, directly employed, North Tyneside

“I was on the phone to a client this morning, I’ve been chasing him for three weeks for £99. And that makes a huge difference to what I’m claiming on Universal Credit but I’m not being paid it.”

Male, self-employed, Rochdale

## **Work Coaches’ perspectives on working parents on Universal Credit’s standard of living**

The Work Coaches we spoke to were generally sympathetic to claimants’ circumstances and recognised that most (if not all) had low standards of living. Many spoke about large numbers of their clients having mental health conditions and complex family circumstances, and there was widespread recognition that many claimants are struggling financially.

“I would say over half of my claimants have got health conditions and the majority of those is sort of like a mental health issue.”

Work Coach

Work Coaches' experience of the UC rollout varied significantly within our sample. While a number of the Work Coaches we spoke to had found the UC rollout process relatively straightforward in their local area, others felt that it had been chaotic, with payment timeliness and staff training seen as key issues in these areas. For those who felt the rollout had been chaotic, the impact on working parents was clear, with delays in receiving their benefit and difficulty negotiating the system more widespread than under the legacy system.

“I would say it was quite a success ... there was a lot of confusion, it was a huge learning curve for us and for the claimants so we were all in the same boat. It's taken some time to get to where we are now. But I would say, when anything is new, it takes time get it off the ground.”

Work Coach

“How do you say to somebody 'oh you are not going to get any money now for X number of weeks' because they live hand to mouth don't they? ... It is supposed to be a month but it is about six weeks before they get any money. And if they have a loan, then that comes off the money anyway so they are in this vicious circle. I just feel privileged that I don't have to do it because it is scary.”

Work Coach

Work Coaches also felt that UC had made money management harder for some claimants, impacting on their standard of living. Fundamentally, the Work Coaches we spoke to did not feel that many claimants had the skills to manage their money on both a monthly budget (which most are not used to doing) and to keep track of the impact of changing their income from work on their overall income. Work Coaches generally did not see it as their responsibility to help claimants develop those skills and viewed other support services (such as Citizens Advice) as being better placed to deliver these.

“One of the perhaps not successful things initially is the frequency of the payments ... jobseekers [previously had payments] fortnightly, now it's obviously monthly. And it's been challenging for people to adapt to that.”

Work Coach

However, while some of the Work Coaches we spoke to did recognise how UC has impacted on working parents' standard of living, they did not view UC itself as the fundamental cause of claimants' low standard of living. When thinking about claimants' finances, Work Coaches were more likely to view having a low income from work, as opposed to from UC, as the fundamental cause of financial issues, and viewed a lack of budgeting skills as the reason for issues with money management, as opposed to changes to UC making budgeting more complicated. When thinking about claimants' emotional wellbeing, Work Coaches were more likely to talk about pre-existing mental health conditions and complex family circumstances as the root causes of poor emotional wellbeing than changes to UC causing additional stress.

# 3 Barriers to increasing income

UC is designed to incentivise people to work more, but claimants and Work Coaches highlighted a number of barriers to people increasing their income through work. Some barriers sat outside of UC, others were linked to the design of UC.

## Directly employed working parents on Universal Credit

At a fundamental level, directly employed participants did not think it personally feasible to progress in work or be able to command a higher hourly wage in another job.

This meant that **working more hours** was seen by participants really as the only option on the table by which to increase their income. And, across the sample, there was very little appetite to increase hours of work.

Claimants simply did not think that working more hours would lead to a significant enough improvement to their standard of living (both in terms of their financial and emotional wellbeing) to make it worthwhile. This was in part because they thought the additional costs of extra work (for example, childcare and travel) would take too big a bite out of the extra income they would be earning. But it was also because their low hourly wage and understanding of how UC works meant they thought that any increase in income, when divided by the number of extra hours worked, sounded too low to make it worthwhile.

Employed parents on UC were not optimistic about their ability to increase their income (and standard of living) through work. For most participants, it was not something they were actively considering or attempting to do. It did not appear to be on most people's radar as an option. They were typically resigned to their current standard of living and unwilling to take risks with their current employment arrangements.

**“Now, because I've got kids, I just need to feel secure and I feel secure just... by living on the  
breadline”**

Female, directly employed, Rochdale

Among our sample of employed parents on UC, there were two strongly held beliefs that acted as barriers to being able to increase income through work. The first was that it was not possible for them to either get promoted in their current job or increase their pay by moving jobs. This meant participants generally saw working more hours as the only option open to them as a means to increase their income through work. However, the second belief was that the financial benefits of working more hours were insufficient to make it worthwhile.

The workshops first explored peoples' spontaneous reactions to the question of how they could increase their income. Then (where relevant) more information about UC was introduced to inform the participants deliberations.

### **Belief 1: 'It is not possible for me to progress in work and increase my hourly pay-rate'**

The belief that it is impossible to progress in work was a result of both their perceptions of the job market and how employable working parents felt they were. Participants' mindsets were:

- **'There are no good jobs in my local area'** – meaning that even if they were better qualified or had more experience they would not be able to progress in work.
- **'I don't have the qualifications or experience to get a better job'** – meaning that even if better paid jobs did exist, they would not be able to get them.

- **'As a parent I am a less attractive job candidate'** – meaning that even if the jobs existed and they had the qualifications and experience to get those jobs, employers would be more likely to offer jobs to people without children.

These mindsets meant that our participants often felt that their current roles and pay-rate were as good as they could reasonably expect to have in their local area. Many were more concerned about losing their current jobs than the idea of progressing in their career and felt the only way they could increase their income from work would be to increase their hours.

### 'There are no good jobs in my local area'

In both research locations, participants complained of the general lack of decent, secure jobs available to them that pay above the minimum wage and offer suitable hours/shift patterns. The typical response to this state of affairs was despondency; the notion that 'there's no point looking or hoping for a better job somewhere in my area'.

This negative view of the local job market meant that competition for minimum-wage jobs was considered to be very steep. Participants in both locations (but more so in North Tyneside) expressed their frustration at having to compete with many others for the same few low-skilled jobs. They also felt that because so many people were competing for those same jobs (and ready to replace current workers at any point) it undermined their bargaining power as employees and drove down working standards in the jobs they did have.

**"It's quite hard to get a job in what you're trained in anyway. If you do a course... there are so many people applying for the same job that it's hard anyway to get a job in what you're trained for."**

Male, directly employed, North Tyneside

For a small number of people in the North Tyneside sample who had achieved Further or Higher Education level qualifications, their outlook, they felt, was not much better. They had prior experience in higher paid, higher skilled, and full-time work and were typically looking for higher level jobs (for example, in accountancy). They did not, however, think there were any suitable vacancies in their area or commuting distance. They said they felt overqualified for the jobs they had seen on offer and that this made them less attractive candidates to employers. One man had actively considered moving to another part of the country to get a job, but had decided in the end that it he did not want to uproot his family.

### 'I don't have the qualifications or experience to get a better job'

The majority of the directly employed parents we spoke to possessed few qualifications and only had experience of low-skilled, low-paid work. There was, for example, more than one person who stated in the course of the conversation that they did not have a Maths or English GCSE.

**"[Getting a better paid job] would be great but, like I say, in a lot of them you need, like, the qualifications, which I haven't got."**

Female, directly employed, Rochdale

As such, participants said they felt they lacked the valued skills necessary to progress in the local job market or to command a higher hourly wage. But they were also unconvinced that 'going back to school' to get some qualifications under their belt would actually help. They were averse to the idea of taking time off work to dedicate to study, especially if it meant a loss of income in the short term. And ultimately, they thought that even with a new qualification, it would still be the same list of minimum-wage, anti-social jobs that would be available to them and that their chances of promotion would not have been improved.

**"If I did go back to college, there is not a guaranteed job at the end of your course that you're going to get. I think it's worse going to college."**

Female, directly employed, North Tyneside

## 'As a parent I am a less attractive job candidate'

There was a widespread view that being a parent could, in and of itself, make people a less attractive employee or candidate for promotion. The working parents we spoke to felt:

- that they were more likely to need to take time off at short notice, for example, to look after children that suddenly become sick
- that they were limited in their ability to take on roles with hours outside of school time or that required them to be available at short notice.

They also did not think that jobs existed in their local area that could fit around their childcare commitments (jobs with daytime shifts within school hours).<sup>8</sup>

Beyond this, there was a belief from some that once you found a job where your employer showed some understanding and flexibility because you had parental responsibilities it was better to remain there (even if the pay was low) than move into higher paid work and risk having an employer who was less understanding.

*"As a parent now, I need school hours. I need them [my employer] to be understanding that I've got kids. And that I could wake up in the night and they're throwing up and I can't make it in work... [Moving to a better paid job with a less understanding boss] is not worth it"*

Female, self-employed, Rochdale

## Belief 2: 'The financial benefit of increasing my working hours is too small'

Across almost all of our participants, there was a strongly held belief that increasing their income from work was pointless as it would have no (or very little) financial benefit to them. For some participants, this view was based on the experience of having increased their earnings, and their understanding of what had happened. For others it was based on what they believed would happen if they increased their hours. Initially a lack of knowledge and understanding of UC drove much of the discussion, but this belief was reinforced rather than challenged when participants found out additional information about the work allowance and taper rate.

Initially, low levels of knowledge and understanding of UC meant that many thought increasing their income through work would either leave them no better off (because their UC would just be 'taken away') or they would be out of pocket given the cost of additional childcare and travel (if they would be working extra shifts or on more days). However, informing claimants about their childcare entitlements and about the taper rate (for example, that their benefit would not go down by the same amount they would earn) did not necessarily make individuals feel any more motivated to increase their work hours.

After receiving the information about the taper rate, most got to the point where they could see that increasing their hours **would** mean some uplift in the amount of money coming in to their household month by month. But they generally saw the impact on their net income (income from work and income from UC added together, minus tax) as not being enough to outweigh the loss of time at home or with their children. In this calculation, they were considering not just the practical, financial measures of their standard of living, but also their emotional wellbeing and their role as a parent.

*"Just putting more effort in and still be in the same position I'm in. So why kill yourself to be in the same position, you know? At least I've got a bit of free time and struggling, than working all the time and still struggling."*

Female, directly employed, Rochdale

## Spontaneous views of how financially worthwhile it is to increase working hours

For most of our participants, work came with a number of associated costs. Childcare was the most significant of these. As most of our participants were working in low-paid jobs, the per-hour cost of childcare was often higher than their hourly rate of pay.<sup>9</sup> For those who were unaware they could claim back childcare costs through UC, and would need it if they were to increase their working hours, this meant they thought they would actually be worse off if they increased the number of hours they worked.

“Cost of childcare. So, for a lot of people, there is no point in working [more hours] because all your money then goes on childcare, it is £50 a day and a lot of people rely on grandparents and family to shove the kids with them.”

Male, directly employed, North Tyneside

“What I am finding is that I am at the point now where I am willing to accept anything from work – cleaning at my children’s school – because if I go out on supply [teaching] I am paying more out in clubs and childminding. I would be better off getting a cleaning job.”

Female, directly employed, North Tyneside

Alongside this, during initial discussions about UC we found that only very few of our participants had a good understanding of the taper rate. Instead, they were inferring the relationship between their wages and benefits amount from a rough assessment of the state of their finances at the end of the month, rather than a close analysis of how their UC and wages added together. It was, at most, a note of how much their UC had gone down and, at least, something akin to ‘a gut feel’.

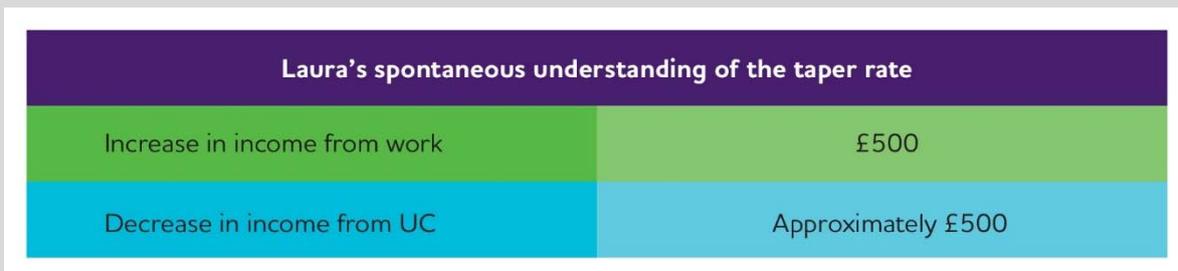
### Case study: Laura

Laura is a single mother from Greater Manchester, with a daughter and a son in primary school. Laura works as a nurse for the NHS and had recently received a large amount of back-pay (around £500) from her employer due to an earlier clerical error calculating staff pay. In the month that her back-pay came through she said she had noticed her UC go down by ‘roughly the same amount’ and that the boost to her household budget she was expecting to feel after getting this unexpected lump sum was totally eradicated.

“You can guarantee every month it’s [the same], if I’ve done overtime... I’ve never been better off, ever, ever.”

Female, Directly employed, Rochdale

Laura used this example to explain why she did not think it made sense to increase her hours – to her it just felt like any increase in her pay packet would be deducted from her UC. In fact, when she started thinking about some of the costs entailed in working more shifts (having to travel to and from work on additional days and paying for extra childcare) she began to think that doing so might even leave her out of pocket.



In either case, many felt that the impact of increasing their earnings on their overall income was at best insignificant and at worst none at all. The stated expectation by many was that their UC was deducted at the exact same rate that their income from work increased (a taper rate of 100%).

“You are penalised from the money you are getting from Universal Credit. Whatever money you are getting from your pay rise would just be taken off you anyway.”

Female, directly employed, North Tyneside

“This is the problem though, it is not that people don't want to go to work. If they are going to be worse off if they get a job, going to work - it is not much of an incentive.”

Female, directly employed, North Tyneside

## Prompted views of how financially worthwhile it is to increase working hours

Participants were often surprised when given information about the design of UC, the range of entitlements available to working parents and how the work allowance and taper rate work, with many claiming this information had not been explained to them previously by Work Coaches or UC Service Centre staff. This surprise often fed into a wider belief that information was being withheld from them about elements of UC that might benefit them but cost the Government more (even when communicating that information would actually save the Government money).

**“You're not told a lot, you know. Everything I had to find out I've had to find out off friends... I don't know whether that's done purposefully or not.”**

Female, directly employed, North Tyneside

When informed that 85% of the cost of childcare would be reimbursed, a number of our participants felt more positive about the idea that increasing their income from work would not be actively detrimental to their finances. However, as childcare costs are repaid in arrears, many participants still had concerns they would not be able to pay the upfront cost of childcare (registration fees and the cost for the month of childcare), given the lack of flexibility in their household budgets. The feeling that accessing childcare ‘is harder than it should be’ was reinforced by the small number of participants who had claimed childcare costs back and experienced problems having their receipts / invoices being rejected as evidence.

**“You're just going to be behind all the time. You'll need your rent money to pay for your childcare. So your child is getting looked after while you go out and work. But then you're always going to be a month behind.”**

Female, directly employed, North Tyneside

Participants' views of the taper rate were uniformly negative. The working parents we spoke to felt that a taper rate of 63% was too high and thus demotivating to taking on extra hours. They saw it as a mechanism by which the monetary value of any extra hours they worked could be reduced and that they would be giving up almost two-thirds of any additional amount they earned. There was no sense of positivity related to having, in any one month, received a higher proportion of one's income through work as opposed to benefits, if the overall amount did not change that much. As many of our participants were working in low-paid (often minimum-wage) jobs, the impact on their hourly rate of the taper rate (and therefore their take-home-wage) was seen as excessive.

Consequently, finding out about the taper rate reinforced their belief that increasing their income from work was simply not sufficiently beneficial to be worth pursuing. For example, for one participant pointed to an example of her working an additional 10-hour day at her workplace, equivalent to an additional £80 to her salary, for what ended up being closer to an additional £20 to her overall income once the taper had been applied to her UC. She felt this extra money was insufficiently motivating (alongside the hassle of having to arrange childcare) to give up a whole day she would otherwise spend with her child.

The impact of the taper rate on different individuals earning above the work allowance;

- Someone aged 18-20 on the National Minimum Wage of £5.90 would see their overall income go up by £2.18 per hour.
- Someone aged 21-24 on the National Minimum Wage of £7.38 would see their overall income go up by £2.73 per hour.
- Someone aged 25+ on the National Minimum Wage of £7.83 would see their overall income go up by £2.90 per hour.
- Someone on the Real Living Wage outside London of £8.75 would see their overall income go up by £3.24 per hour.

Where claimants earn enough to pay National Insurance and income tax, their effective hourly wage is even lower.

### Case study: Kristy

Kristy is a single mother from North Tyneside. Kristy has been to University but has since been unable to find a job related to her degree and is currently working part-time in an admin role. Kristy has the opportunity to work an extra 10-hour shift each week, but feels it is insufficiently rewarding to do so, given her overall income will only go up by a small amount (which she calculated as being £20) and that she will not receive any travel costs back (totalling approximately £5 for a day saver ticket on the Metro).

**“You work out the overtime and you should maybe get £80 and you only get £20 and you think, is it actually worth it?”**

Female, directly employed, North Tyneside

Kristy felt that if the taper rate was lowered to 50% it would feel more worthwhile to take the additional hours available at her work as she would see a considerable financial benefit in terms of her overall income.

**“If you did a shift at work and you get £80, if you knew in your head you would be able to take about £40, £45, you think it’s worth doing.”**

Female, directly employed, North Tyneside

## Self-employed parents on Universal Credit

Self-employed parents on UC were more positive about their ability to increase their income from work compared to the directly employed participants. These participants felt more empowered to change their own circumstances and tended to be more informed about UC.

These participants saw having a successful business as the key mechanism by which they would increase their income. Consequently, all of the key barriers they identified were about their ability to make their business successful. These barriers were related to:

- the Minimum Income Floor (MIF)
- business advice and know-how
- getting paid for work.

### The Minimum Income Floor

Within our sample, a number of participants had only recently become self-employed and consequently were not yet subject to the MIF. These participants described the MIF as being punitive as it would ‘punish’ them by reducing their income when they had a good month and earned above the threshold and would give them no support in bad months where their earnings were beneath the threshold. As many felt their business currently did not have a steady supply of income each month, they were concerned the MIF could impact their ability to continue to be self-employed as they would receive insufficient support from UC to make up the shortfall in their income if they were to have a ‘slow month’.

**“Once you raise so much within that month, after then they deduct sixty-five pence from every pound that you make. So really it doesn’t seem like you’re benefitting after that moneymaking.”**

Female, self-employed, Rochdale

Spontaneously, these participants were particularly concerned that the MIF would take effect after only a year of them being self-employed. Most felt this was too short a time period for them to have got their business into a position where it would be consistently earning above the MIF. They thought they would consequently have months where their overall income was very low and that this might push them into having to give up their business.

“Your time starts from the day you apply for the Universal Credit, not from when your business started. So, you might have applied, it might take two months before you actually get up and running and you get on the Universal Credit and then after that, you know you’ve lost, say, six weeks, two months out of your twelve months and you’ve only really got ten months.”

Female, self-employed, Rochdale

Some were also concerned that the MIF did not take into account the seasonality of different kinds of businesses and therefore punished those who did not receive consistent amounts of business throughout the year. Due to the MIF being applied monthly, businesses that receive lots of income in one month will see their UC reduced in line with the taper rate, but will not receive the same level of support as an individual who is directly employed would in months where their income is lower. For those who felt their businesses were like this (for example, a participant who worked as a painter-decorator) there were again concerns that the MIF might actually push them into a financial situation where they had to give up their business and seek direct employment (which they felt would ultimately lead to them having less capacity to increase their income from work).

### **Business advice and know-how**

The recently self-employed parents we spoke to felt they lacked commercial experience and business knowledge and felt that this was limiting their ability to increase their income. The key problems experienced by the self-employed were difficulties in building their client base and being stuck in a cycle of charging lower fees in order to attract new customers.

“Supporting which paths to go down... what your courses are, how to promote, what's the best way to promote, help with leaflets, help with flyers, it could be anything.”

Female, self-employed, Rochdale

Most felt that there must be other ways they could build up a client base, such as using online marketing tools, but were unsure how to go about this. Importantly, this was a barrier that most felt they could overcome if they were given the correct support and training, which they stated they would be keen to take up if available.

Many felt they were inexperienced in terms of managing their business's finances and that this inexperience **could** hold their business back (and therefore their ability to increase their income from work). For many, the key concern was ensuring that they always had sufficient funds available for work materials, but were also concerned that there may be aspects of business finance they are currently unaware of. Again, this was a barrier most thought they could overcome with the correct support and training.

“In that start-up period, again, I think as well – like with this training thing – obviously I didn't know how to manage money, I didn't know how to do business. I think they should give you some sort of training as part of your start-up period before you actually go into that business, so you've got those managing skills.”

Female, self-employed, Rochdale

### **Getting paid for work**

While most of our self-employed participants received payment upfront for their products and services, a number were invoicing customers and clients and received payment in arrears. For these participants, a key barrier to increasing their income was customers and clients failing to pay them on time. The knock-on effect of this could be having to turn down additional work in the meantime, when business costs could not be covered.

This was seen as a more difficult barrier to overcome, as many were dependent for business on work from repeat customers and clients (even if they could fall behind on payments). This meant that participants were more likely to be unwilling to 'kick up a fuss' about overdue invoices for fear of alienating key clients.

“The work that I do, clients pay monthly by direct debit but they cancel all the time... I never really know what I’m going to be getting paid until they pay. So I’ve never got the security of knowing what I’m going to be paid.”

Male, self-employed, Rochdale

Finally, a key barrier to increasing income from work was the going market rate for a service or product. This was seen to place a ceiling on the amount people could charge customers and clients and prevent them from being able to push up their hourly rate.

Perceptions of how big a barrier this was varied among the self-employed parents on UC we spoke to. Some participants felt that they were able to increase the cost they could charge if they were to gain additional training or qualifications. For example, one participant had a small cake-baking business and was taking training on how to do more complex decoration which would enable her to charge an additional amount to customers.

“I am just charging minimum at the moment while I am promoting. But I have been doing a cake decorating class as well. So, once I’ve qualified that, I will up the prices on the cakes anyway.”

Female, self-employed, Rochdale

However, for others (and particularly those who worked in more service-based professions such as cleaning and decorating) there was a real sense that there was nothing they could personally do to increase the amount they could charge. These participants felt that there was a high level of competition from other companies and individuals for the work they did and that if they tried to charge a higher rate they would simply lose business.

“I can’t really change [what I charge] because I’m up against competition.”

Male, self-employed, Rochdale

The implication of this belief was (similarly to directly employed participants) that the only way they could increase their income would be to increase the number of hours they worked. Consequently, these participants faced a similar barrier regarding how worthwhile it was to increase their income from work as many of the directly employed parents we spoke to.

## Work Coaches’ perspectives on barriers to increasing income

The Work Coaches we spoke to typically described working parents on UC as having two key barriers to increasing their income from work:

- childcare responsibilities (and within this, an unwillingness to use formal childcare arrangements)
- perceived lack of financial benefit from UC (and lack of motivation to work for non-financial reasons).

The first of these barriers was working parents’ childcare responsibilities. The Work Coaches we spoke to most commonly cited increasing working hours as the simplest and most feasible way any UC claimant could increase their income, but felt that doing this was often ‘not an option’ for working parents (particularly single parents). Consequently, Work Coaches felt the only option for some working parents was to ‘stay where they are’ until their children got older.

“It would be unfair to say ‘hey, are you able to work 35 hours and still pick up the children and put them in a breakfast club and an after-school club?’”

Work Coach

“We find for parents that are lone parents, it is much more of a struggle because they’re doing all the roles as opposed to somebody that has a bit of a support network around them.”

Work Coach

A number of the Work Coaches we spoke to felt that many of the working parents on UC they dealt with had relatively low levels of willingness to use formal childcare and this presented an additional barrier to them increasing their hours. Work Coaches stated that many working parents on UC were not used to using formal childcare arrangements and that often it simply would not occur to them to do so, or that they may be concerned about leaving their children with people other than friends or family – meaning their uptake of this entitlement (which would enable them to work more) was lower than it could be.

“I think because they’ve not done it [used formal childcare] before, or they’ve not had to work because their children are under the age of five, a lot of them, and this might sound horrible – and I don’t mean it to - but they make that an excuse.”

Work Coach

Finally, the Work Coaches we spoke to felt that many claimants’ understanding of how their income from UC was impacted by their income from work was limited and led many to assume they would be no better off financially from increasing their income from work. The Work Coaches we spoke to felt the (perceived) lack of financial benefit from increasing their income was particularly important as they felt many claimants (including both working parents and others) were not motivated by the prospect of work and ‘self-sufficiency’ in and of itself.

“It is the thought of losing their benefits. That is the one thing that you have to try and dispel. They think they can’t earn any more because they will lose their benefits. That is one of the biggest things that ever comes out from anybody... they cannot seem to get their heads around the fact that they won’t lose their benefits, their income will increase and they will be self-sufficient.”

Work Coach

It is important to note that one of the Work Coaches we spoke to felt that some of their colleagues had insufficient understanding of UC and specifically the taper rate. Consequently, they felt that the taper rate was not always as clearly explained to claimants as it should have been.

“I feel confident, because I know what I’m talking about, but I can see some of my... I can see some of my colleagues come over to me and say ‘Can you just... how do I do this?’”

Work Coach

## 4 Priorities for change

Alongside understanding participants' experience of UC and their barriers to earning more, this project sought to understand working parents' priorities for change. These arose partly from developing ideas that had emerged during the earlier conversations, and partly from testing with participants their reactions to recommendations made by JRF and other organisations about reforming UC.

### Directly employed parents' priorities for change

When discussing their priorities for change, the key thing our participants were interested in was making it more financially beneficial to increase their working hours. Participants felt that UC could help them do this in one of two ways:

- ensuring the cost and hassle of childcare is reduced/eliminated
- allowing UC claimants to keep more of their earnings

Given their despondency about the prospects of finding a better job or improving their skills through training, they did not prioritise services to support progression and higher pay.

#### Reducing or eliminating the cost and hassle of childcare

When asked what could be changed about the current system to help improve their standard of living, participants spontaneously tended to focus on changes that would reduce the cost and hassle of childcare. Ideally, they wanted it to be free and for the administrative 'hassle' of claiming to be removed. Work Coaches also see this as a barrier, especially for single parents.

Participants prioritised this for two key reasons:

- Even in the context of being able to claim back 85% of their childcare costs, having to pay for childcare represents an additional financial burden on parents which makes increasing their work hours less financially rewarding.
- The current process for claiming back childcare costs creates an additional logistical barrier to increasing working hours for working parents.

Participants proposed a variety of ideas for how the cost and hassle of childcare could be reduced or eliminated for working parents. These ideas included:

- **Enabling family and other informal childcare providers to claim a small amount for childcare through UC:** This was seen to reduce the social burden of asking family and friends to mind your children by enabling working parents to pay them a small amount for their time. It is important to note that this was an idea favoured by working parents who were reliant on friends and family to provide childcare, but seen as less useful by those who had less in the way of social support networks.
- **Providing free before and after school clubs to children of parents on UC:** This was seen to reduce the cost of childcare and the administrative hassle of organising additional childcare arrangements outside of school. Additionally, school was seen as an environment their children would be more comfortable in than other kinds of childcare.
- **Increasing the amount of free childcare working parents on UC are entitled to:** This was seen to make it easier to increase working hours without fearing an additional cost as a result. However, there was some reluctance around using formal childcare from those who had not done so before. It is possible that these parents may therefore be less likely to take advantage of an increased entitlement unless they are reassured about this.
- **Free activities for children on UC in the summer holidays:** A number of participants mentioned that their costs were higher during the holidays as their children were at home more often and that, currently, the majority of activities available to children in their area all had a financial cost associated with them. One participant suggested that it would be useful if free activities (including meals) were

offered to children of parents on UC to help them reduce their costs in the holidays and to ensure their children were not excluded from socialising with their friends who were financially better off than them.

JRF – and other charities – have argued that the DWP should establish a system to pay the upfront costs of childcare and increase the cap on the childcare costs that can be reimbursed through UC in line with the cost of childcare now.<sup>10</sup> Participants were generally positive about these suggestions, although preferred the options outlined above. They felt this would help reduce the upfront cost of getting their children into childcare and said that would reduce the barrier to them increasing their hours.

“But [if your child is] 13 and under is, like... like be entitled to an hour after school or something, so that it helps you out.”

Female, directly employed, North Tyneside

“For me it would be the cost of childcare... I've literally got no support so I have always got to pay for the children to be minded.”

Female, directly employed, North Tyneside

### **Allowing UC claimants to keep more of what they earn from work**

Given that all felt their current financial situation caused them stress and left them vulnerable, participants also prioritised changes to UC that would help them to increase their overall income. After they were given more information about how the work allowance and taper rate work, we also saw high levels of interest in the idea of changes being made to UC which would enable claimants to keep more of what they earn from work. Both increasing the work allowance and reducing the taper rate were popular with working parents on UC as they felt this would lead to an increase in their overall income. Among our sample, there was no clear preference for one over the other, with most participants feeling the ideal course of action would involve a combination of both.

Participants felt that increasing the work allowance would have the greatest impact on those who were earning the least from work, as it would enable them to keep more of their income before the taper rate came in. This was seen to provide the largest possible incentive to claimants who are currently working only a small amount to increase their hours.

Participants found it difficult to set exact figures for what they felt the work allowance should be, but generally felt it should be set so that it reflected the amount an individual would earn from working a certain number of hours. For example, one participant in North Tyneside suggested that (as an alternative to the current figure) the work allowance should be set at the equivalent of someone working in a minimum-wage job for 16 hours a week, a view that appeared to take a cue from the ‘16 hour rule’ under the legacy benefits system. (The fieldwork was carried out prior to the 2018 Budget, when work allowances for parents were increased by £1,000 per year.)

“£192 is nothing. If that was £300, it takes you up. Even if the taper stays the same. But then it balances you out, you've got enough then to play with. Better start and you feel like you're earning, you're not struggling.”

Female, self-employed, Rochdale

Participants felt that reducing the taper rate would provide the strongest incentive for them to continue increasing the number of hours they worked. Participants felt that the taper rate as it stood (at 63%) was too high and therefore represented a disincentive to increase their hours further. The working parents on UC we spoke to felt that the taper rate should be set at 50% or lower, enabling them to ‘keep’ half (or more) of what they earn from work in terms of their real income. This was seen to be fairer and to provide a much clearer incentive to increase their hours (and therefore income from work).

“50%. At least give you half of what you're earning.”

Female, self-employed, Rochdale

“When you do the maths, it's like 35p I'm getting out of every pound so that means you're getting 65. Why are you getting 65p out of every pound I make extra... you get 35 and I get

65, that's about right, that's fair."

Female, self-employed, Rochdale

## Self-employed parents' priorities for change

Self-employed parents prioritised a combination of changes to the design of UC and services to support them to build and run their business well.

They were most interested in changes that would give their business a 'fair chance' of success. This included being provided greater support and training to run/market their business and specific changes to the MIF, such as increasing the assessment period to protect those with seasonal work and lengthening the period before it is introduced for those who are newly self-employed.

### Changing the rules around the Minimum Income Floor

Participants saw the MIF as a major potential barrier to their business succeeding, with the time period before it was introduced and the assessment period key concerns for them. They wanted the rules around the MIF to be revised in the following way:

- **Increasing the amount of time before the MIF is introduced to two years:** Participants felt that this was a sufficient time period for the Government to expect them to have their business up and running successfully, with the current period of one year seen as too short.
- **Changing the assessment period so that it assesses self-employed claimants' income over an annual business cycle:** Participants who had more seasonal work felt that this would not lead them to being unfairly penalised compared to other self-employed people – whose businesses might make the same amount of money overall but do so consistently across the year instead of in shorter bursts.

Participants were therefore supportive of changes proposed by JRF and other organisations to allow workers to keep more of their earnings.

"Most businesses fail within twelve months anyway so the point I'm making is you're up against enough without having to worry about having the rug pulled from under you after twelve months as well."

Male, self-employed, Rochdale

### Increasing the amount of support given to new businesses

A major concern for participants was a sense that they lacked the necessary knowledge across a number of areas to make a real success of their business. Consequently, many wanted there to be additional support for self-employed people on UC to help them build their businesses. Specific areas people were looking for support in were:

- marketing
- business finances
- networking.

This, in combination with an extension to the MIF, was seen by participants to be giving those who are self-employed a fair chance to make a success of their businesses. Participants felt that if they had received support in setting up and establishing their business and had two years to do so before the MIF kicked in then it would be 'fair enough' for them to stop receiving the 'full' level of support from UC and face the decision of whether or not to stop being self-employed.

"Maybe in that start-up, include training for you to run a business. Because obviously you've never done it before and that's probably 60% of the failure because people don't know how to run a business."

Female, self-employed, Rochdale

## Work Coaches' priorities for change

The Work Coaches we spoke to felt that the element of UC that **they** delivered related to providing claimants with support to take up additional hours at work, ask for promotions and pay rises and to look and apply for better paid roles. However, they said they do not always have enough time to provide consistent levels of support to all claimants, especially as some of their clients had more complex needs than others. Consequently, they prioritise reducing their caseload to enable them to deliver a higher level of support to claimants to help them progress in work.

The Work Coaches we interviewed saw motivating the claimant and helping them overcome personal barriers as a very important part of their day-to-day work. This was seen as particularly important in the context of perceived low levels of motivation and self-belief among claimants to pursue opportunities to progress in work.<sup>11</sup>

The kind of support that Work Coaches felt that working parents on UC particularly needed related to:

- **Encouragement to take up additional hours at work:** Work Coaches recognised that the short-term financial benefit of a working parent increasing their hours was often small, especially when weighed against the emotional cost of spending less time with their children. However, Work Coaches also felt that claimants often failed to 'join the dots' and see how increasing their hours a small amount might lead to increased job progression opportunities and how small increases in their weekly income could have an impact on their overall finances in the long term.
- **Encouragement to ask for pay rises and promotions:** Work Coaches felt that many claimants wrote-off the idea of asking for a pay rise or promotion at their current workplace as 'unachievable' – even in circumstances where this could actually be a viable option. Consequently, they felt it was important that they gave claimants the encouragement to ask for pay rises and promotions.
- **Encouragement to look and apply for better paid roles:** Work Coaches felt that many participants were unwilling to apply for better paid roles that they may be able to get due to a belief they would not get the job. Work Coaches therefore felt it was important (and a core part of their role) to encourage claimants to apply for these kinds of roles. They did not raise the concern we heard from claimants themselves, that, as a working parent, often a sympathetic boss is preferable to one who pays you a little bit more.

However, even though the Work Coaches we spoke to typically felt very passionate about this element of their role and that they themselves were competent in executing it, they described feeling like they often had to deal with issues that were beyond their capacities in terms of both the time and expertise they had available. They described how a large proportion of their claimants were facing difficult, complex personal issues in their lives, including mental health conditions, low self-esteem, domestic violence, and managing on very low incomes.

"I would imagine that quite a high percentage of our client base are facing depression and dependencies and things like that. So it's very hard to motivate yourself when you have so many other personal issues going on, you know?"

Work Coach

"The name has changed to Work Coach because [we're] advising and coaching, having meetings with our colleagues to help them assess how they're going, to suggest ways to improve ...but like I say, it goes deeper than that because it's almost like you become their mentor, it feels like that."

Work Coach

Work Coaches spoke of the professional challenge of attempting to balance taking the time to be empathetic and signposting claimants to local services that could offer them support, while also trying to move them forward in work and give them an assertive push (none of the Work Coaches we spoke to discussed sanctions) where necessary.<sup>12</sup>

It also became apparent from our interviews with Work Coaches that gaining fresh qualifications or attending training courses is not something that tends to be a high priority conversation topic with claimants already in work:

**“We won't discuss training [with working parents]. It's all around increasing their hours, but if they are not working and they're on Universal Credit then we will look at re-training.”** Work Coach

One potential development of the Work Coach role could therefore be helping claimants identify and go for qualifications that would help them progress in work, and assistance on how to 'sell' this to potentially sceptical claimants as part of a 'pathway' away from UC. It is worth noting though that this is not something raised by Work Coaches themselves.

# 5 Conclusions

Engaging with parents on UC and Work Coaches has highlighted four areas of reform to better support working parents on UC to improve their living standards and increase their income from earnings.

- **Increasing the amount of income that working parents derive from UC:** None of the working parents on UC we spoke to currently felt they had an overall income that enabled them to comfortably cover all their basic living costs, save money to build financial resilience and pay for basic social activities. Increasing the amount of income that claimants derive from UC would help working parents achieve a basic level of financial viability as well as reducing the level of stress they are under.
- **Providing a better financial incentive to working parents to increase their hours:** The working parents on UC we spoke to currently did not feel that there is sufficient financial benefit to them to increase their working hours and are consequently often not taking on additional work, even when it is available. If UC were to provide a better financial incentive (and to more clearly explain this) working parents on UC said they would be more likely to increase the number of hours they work and therefore their overall income – reducing the likelihood they would be in poverty.
- **Reducing or eliminating the financial and administrative burden of childcare:** Childcare responsibilities were highlighted as a key barrier to working parents increasing their hours – both in terms of the upfront financial cost of childcare (which for many is prohibitive given low levels of savings) and in terms of administration (having to find childcare providers, provide evidence of payment, etc.). If the financial and administrative burden of childcare was reduced or eliminated, working parents on UC said they would be able to increase their working hours more easily.
- **Reducing Work Coaches' caseloads and giving them additional training to enable them to provide better support to working parents:** Evidence from DWP shows that provision of additional support to claimants has a significant impact on their ability to progress in work.<sup>13</sup> However, the Work Coaches we spoke to felt that, currently, their caseloads were too large and they were insufficiently trained for them to be able to dedicate sufficient time and effort to providing the kind of personalised support that would actually help claimants. If Work Coach caseloads were to be reduced, Work Coaches would be able to spend more time with individual claimants and provide them with support that could help them to progress in work, increase their income and help them move out of poverty.

# Notes

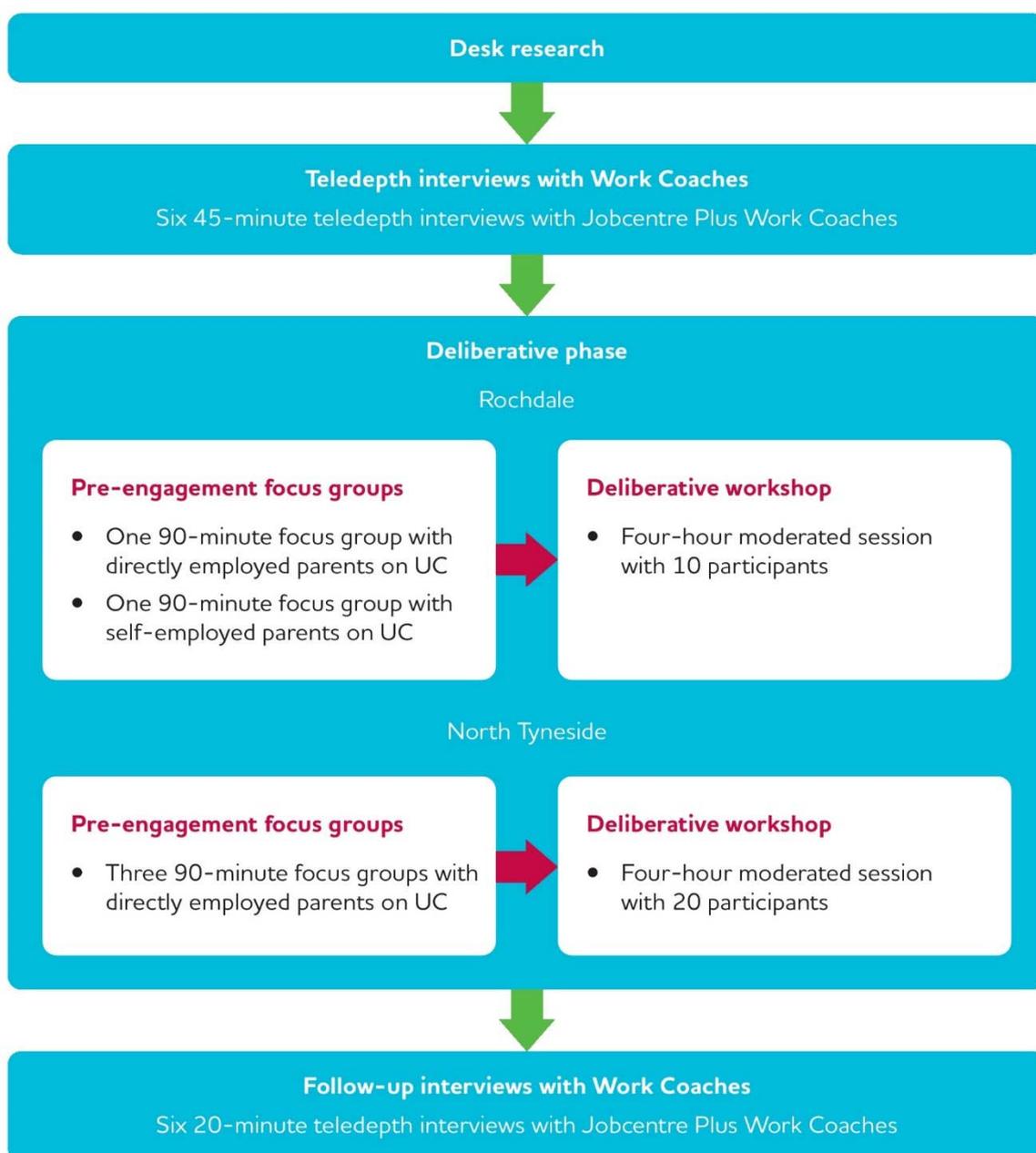
1. Our research for JRF with UC claimants in Nov 2017 highlighted the hardship caused as financially vulnerable claimants waited for their first UC payment (BritainThinks, 2018).
2. Budget 2018. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/752202/Budget\\_2018\\_red\\_web.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752202/Budget_2018_red_web.pdf) (accessed 11 December 2018).
3. DWP Universal Credit Statistics, data to 11 October 2018. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/755723/universal-credit-statistics-to-11-october-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/755723/universal-credit-statistics-to-11-october-2018.pdf) (accessed 11 December 2018).
4. Citizens Advice has a detailed explanation of the MIF: [www.citizensadvice.org.uk/benefits/universal-credit/claiming/self-employed/](http://www.citizensadvice.org.uk/benefits/universal-credit/claiming/self-employed/) (accessed 11 December 2018).
5. This is supported by reports from organisations such as the Resolution Foundation, who calculated that 3.2 million working families will be worse off on UC and that single parents will lose on average £26 a week under UC (Brewer et al, 2017).
6. This is corroborated by studies that show the DWP paid around 25% of all new claims late in 2017, on average four weeks late, but that payment timeliness improved from 55% to 80% over the course of 2017 (NAO, 2018).
7. JRF has undertaken previous work which has also highlighted difficulties with this transition (see JRF, 2016).
8. This reflects findings in the JRF's 2016 report, 'UK Poverty: Causes, costs and solutions' which stated that 'There is a dearth of good-quality part-time work of the kind that enables people to fit work around caring commitments, while earning enough to support a decent living standard.' (JRF, 2016).
9. This reflects findings in the JRF's 2016 report, 'UK Poverty: Causes, costs and solutions' which stated that 'In England, 62% of parents of children aged five or over, where at least one parent was working or looking for work, said that they needed some wrap-around childcare.' (JRF, 2016).
10. Currently the amount of childcare costs that a parent can claim help with are capped at £646.35 per month for one child and £1,108.04 for two or more children. These amounts have not increased since being introduced in 2005, despite the cost of childcare rising fast. Increasingly, full-time childcare exceeds this limit (Davis et al, 2018).
11. This is corroborated by recently published findings from the DWP's Randomised Control Trial (RCT), which showed 'progression outcomes for claimants were associated with participants' personal motivation and their relationship with their Work Coach'. The 'motivational' aspect of the Work Coach role was shown to be vital, and not dealing with these personal issues meant claimants in the trial often failed to achieve an increase in earnings over its course, even when more practical barriers were addressed (DWP, 2018).
12. Other recent qualitative research on UC points to the risk of Work Coaches becoming overwhelmed by bearing the brunt of the fallout from claimants' personal lives; the NAO's June 2018 report on the UC rollout research said that some Jobcentre Plus staff they spoke to were struggling to deal with the volume of claimants dealing with health problems (NAO, 2018).
13. In the DWP RCT, those who had been on a training course to improve their qualifications or skills were more likely to have gained a new job or increased their hours than those who had not been on a training course (DWP, 2018).

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# Appendix: Method and sample

This research was structured in four phases as shown in the diagram below:



Fieldwork occurred between 6 August and 21 September 2018.

The sample for this research was:

- Six Jobcentre Plus Work Coaches – recruited through a free-find methodology and not through Trade Unions, Jobcentres or the DWP
- Thirty parents on UC, including seven self-employed parents on UC in Rochdale – claimants were recruited on-street, and not through advice centres and support services.

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