ENSURING MIGRATION OF BENEFITS AND TAX CREDITS IS A SUCCESS: USING EVIDENCE ON UNIVERSAL CREDIT.

SUMMARY

The UC migration process is needed because the Government has changed the rules of the benefit and Tax Credit system. So, it should be the Government’s responsibility to ensure that it, rather than the claimant, bears any risk or inconvenience.

If they do not, then the same sort of issues is likely to arise as in the Windrush scandal – another situation where the Government changed the rules but expected the claimant to do all of the work by having to reclaim to re-establish their existing status.

Consequently, claimants should be moved on to Universal Credit on their existing terms before the administration of their benefit and labour market conditionality status is resolved.

The alternative – where the claimant essentially has to reclaim – would mean that the claimant bears the risk of any errors or maladministration.

In the case of the Universal Credit migration it is even more imperative for the state to bear all the risk – particularly for the poor and workless. They are less able to cope without the right benefit paid at the right time – at their point of need.

In addition, the evidence on the general UC administration is that getting on to UC is subject to substantial delays, if they get on the benefit at all. Early evidence from the migration process from both the DWP and Citizens Advice confirms this. For a large proportion of claimants moving from the legacy benefits and Tax Credits these difficulties in reclaiming and delays in getting on to the new benefit.

Also, there are some aspects of the UC new claim process that would not be appropriate for the migration. In particular, advance payments are inappropriate and replicating health checks such as the All Work Test should be unnecessary. So, it will not be possible to replicate the existing new claim process for the migration process. So, given the need for amendment anyway, it would be best to design the migration process to ensure success rather than just alter some but not all elements of the existing administration.

The focus here has been on benefit payments. It will be necessary to carry out similar scrutiny on the labour market conditionality regimes. In particular, until the migration is complete, it is important to continue to deliver the existing conditionality regime.

It will also be necessary to consider other aspects of the system apart from the transition process from the legacy benefits/Tax Credits to UC. In particular, once on UC, evidence is that the income received by the claimants will be more volatile than was their experience on the legacy benefits. Similarly, the migration process is likely to identify changes of circumstances. It will be necessary to consider how to respond.
Who should bear the risk in the migration on to Universal Credit?

1. The seeds of the Windrush scandal started with a change in immigration rules which meant that existing migrants no longer had the same access to citizenship and public services that they enjoyed previously. They could have regularised the situation by getting in touch with the state and reclaiming their previous status. However, many remained in limbo because they didn't apply; had difficulty in going through the process; or at the time of the change, they were no longer found to be eligible. In addition, given policy and administrative changes over time, people who applied later – sometimes a lot later – found it more difficult to prove.

2. The alternative is automatically to move 100% of the group affected on to the new situation and then regularise the situation sympathetically and over a period of time. Given the people affected by the migration on to Universal Credit and also the potential for delays and errors in the UC system it would seem appropriate for the Government to bear all of the risk in this national insurance programme. Particularly since it was the Government who made the changes in the rules that required the migration.

3. And there are two parts of the Universal Credit system that require attention in the migration. Firstly, and most importantly, given the primary reason for Universal Credit as a policy is to raise and support low income, the migration should deal with the income and benefit situation.

4. Secondly, it is also necessary, however, to have an effective plan for how to migrate the labour market conditionality system across as part of the general Welfare to Work policy embedded in Universal Credit. There is also a danger that this policy area does not receive the attention it deserves because, so far, it has not been a central feature of the UC roll-out as problems with benefits have dominated. For the main UC system there needs to be some rebalancing towards Welfare to Work and it should also be an important part of the UC migration.

5. Of the two elements of the system it is important to get the sequencing right. That should involve dealing with benefit issues first. Not just because it is by far the more important element – particularly for the poor and workless – but also because the evidence suggests that claimants are less likely to focus on getting a (better) job if benefit issues remain unresolved.

6. Therefore, the initial focus should be on getting the benefits sorted out as soon as possible. Only when these are resolved should the focus move on to the labour market intervention regime with the Claimant Commitment a central feature. The Claimant Commitment should set out what is expected of both the individual claimant and the state.
Evidence on UC design & delivery which supports the view that the state should bear all of the risk of the Universal Credit statistics.

7. Even if the new claim process was quick, certain and universally correct the government should assume all of the risk. However, the design and delivery of Universal Credit provides substantial evidence that a large number of people would suffer delays, and many would not get on Universal Credit at all.

8. The scale of the effect of delays and/or an inability to get on Universal Credit at all can be judged by considering how much inflows have declined since the benefit was brought in. [Panel A] Compared to a recent period of ‘normal’ turnover inflows might be around 50 thousand fewer than they should be. [In 2008 JSA inflows alone were around 200 thousand per month. Now the combined inflows of JSA and all other UC conditionality regimes are about 150 thousand or even less.]

9. This UC effect on inflows of around 50 thousand means that there are 200-250 weeks of unpaid benefits per month. Some people might be able to cope with not receiving financial assistance but others, particularly the most disadvantaged, are like to seek other sources of help. This is likely to be the mechanism that explains the correlation between increased use of food banks and the roll-out of UC.

PANEL A: ADVERSE EFFECT OF DELAYING FIRST BENEFIT PAYMENT:

10. If this is the effect on New Claims then, unless the outcomes from the migration process is better requiring the migrating claimants to reclaim will introduce volatility into their income with a gap between the old level of benefit/Tax Credit and their Universal Credit level once their reclaim is sorted and they have moved on to their new benefit. Yet, evidence from DWP and Citizen Advice show it remains poor.
11. The picture presented by the HMRC/DWP research\(^2\) is presented positively and, debatably, might have been considered sufficient for a new claim. However, here it is a gap in the middle of a period where their income is already low (UK benefit levels are very low by international standards). Key results were: -

- 39% required help claiming online from family or friends (20%) or DWP (19%).
- Less than half (42 per cent) of claimants were aware that there would be a gap between their tax credits stopping and their first UC payment being made.
- Over a third (38 per cent) were ‘having financial difficulties’ – classified as those falling behind with some, or many, bills and commitments. Among this group, around six in ten (62 per cent) said their difficulties started in the same month or after they began claiming Universal Credit.

12. Citizens Advice have also collected together relevant evidence\(^3\).

- According to DWP evidence, 44% of people who claim UC online have to make multiple attempts before they are successful. This has contributed to a situation where around 1 in 6 UC claimants are not paid in full and on time, and people are dropping out of the claim process.
- Those being migrated are likely to have higher support needs than those who have claimed UC so far - this includes 1 in 3 (36%) claimants due to be migrated who are disabled or have a long-term health condition.

**WHAT SYSTEMS AND DESIGN MIGHT BE PUT IN PLACE TO ENSURE GOVERNMENT BEARS ALL OF THE RISK IN THE MIGRATION PROCESS?**

13. Citizens Advice in their submission to SSAC on the UC migration\(^4\) set out a good set of principles for success. Based on previous benefit systems some suggestions for how this might be translated into practice are given here. The main source of the proposals is taken from Family Credit.

14. The key proposal is to transpose the current level of the legacy benefit into Universal Credit and continue paying it for 3 months (if the claim remains open). This would close the gap when there is no benefit paid, provide certainty for the claimant, allow time for the new benefit to be calculated, and achieve one of the objectives of Universal Credit – to enable people to budget their finances better.

15. The other key feature taken from Family Credit is that there is an asymmetric response to under- and over-payments during the period of fixed benefit levels. If there is an underpayment the state makes up the money (and backdates it?) whilst if there is an overpayment the state does not try to recoup the money.

16. Having a fixed benefit level during the first 3 months would enable firstly the subsequent benefit regime to be set up. Secondly, when the benefit plan is resolved to establish the claimant commitment and the individual labour market intervention regime.
17. The current proposals for migration seem to be trying to impose the same system on the migration process that is in place for the main Universal Credit system. Yet, there are features of the current system that do not fit the migration process. It might be worth recognising this explicitly and setting out a different coherent migration system separate from the main system.

18. The two areas of the main system that most obviously do not fit the migration system are advance payments and the health checks – particularly the All Work Test. Advance payments are a work-around to offset initial payment delays at the start of a new claim but do not fit a system where the income volatility in the middle of a claim are induced by changes in Government policy. Similarly, the All-Work Test aims to provide an initial health benchmark at the start of a new claim. Not to be repeated because the benefit rules have changed.

19. Therefore, as there is a need to adapt the main system in order to deal with the specific issues raised by the migration process, it would be best to recognise this and develop an effective migration model not try to shoehorn a different client group with different experience into a slightly amended version of the main system.

20. With an explicit new model for UC migrants it would be possible to consider the coherence of the system overall. And perhaps incorporate some of the ideas floated above. Such remodelling should consider not just benefit issues but also welfare to work issues. For example, it is possible that the conditionality regime under UC would, without change, be different/more onerous/less appropriate than the regime under the legacy system. Developing a separate migrant system would enable a better and more successful design to be considered.

OTHER ISSUES.

21. The focus of the migration process has been almost entirely focused on the specific transition point from the legacy benefit to Universal Credit. Yet there are a number of other issues that need to be addressed.

22. Firstly, there is the question of what welfare to work approach is in place for those on the legacy payments. And, in particular, because the claimants will eventually be migrated to UC are, they are being forgotten in respect of the welfare to work system that applies to them decaying and damaging their ability to get a job.

23. Panel B below set out the long-term unemployment shares for total claimant unemployment. They are currently at historic Post War highs – despite record employment rates. The fact that people are staying on unemployment benefits longer is the main driver of the rise of 200 thousand in the claimant count as inflows are at historic lows [See Panel A].
PANEL B: THE MOVE AWAY FROM THE JSA/NEW DEAL MODEL SINCE OCTOBER 2009 HAS BEEN ACCOMPANIED BY RECESSIONARY LEVELS OF LONG-TERM CLAIMANT UNEMPLOYMENT SHARES.

24. Much of this poor welfare to work performance is likely to be due to the ineffectiveness of UC as a labour market policy (discussed below). But also, it may be that the performance of the legacy benefits (here JSA) has been poor because the labour market focus has been elsewhere.

25. The Flexible New Deal, Work Programme and Universal Credit have all in different ways shifted the focus away from the state providing continuous welfare to work help – particularly to long term claimants. For legacy JSA under the Work Programme and UC this may have been due to attention being shifted to the new policy whilst they are left to languish. If this is the case it is important that the rigour of the legacy welfare to work systems need to be maintained in order to prevent the build-up of welfare dependency and worklessness amongst this group.

26. The other issue with legacy benefits and particularly Tax Credits is that migration is likely to increase the contact and scrutiny of individuals on these benefits. And that (as with Restart in 1986) is likely a) to increase outflows into work before they enter UC and b) identify many situations where the individual’s circumstances have changed, and it has not registered on the state’s radar. Again, a protocol of how to deal with this needs to be developed. Again, I would propose that if it favours the individual there is no action; if it favours the state then reimburse the individual.
27. There is also likely to be an issue for migrants with the system they inherit when they move on to UC. The level of Universal Credit they will receive is (much) more volatile than the benefit they have left. Their benefit payment, even if their circumstances are unchanged, can change depending on whether the state decides it is a 4- or 5-week month.

28. In addition, there is much more uncertainty and lack of rigour in UC administration than in the legacy benefits – even Tax Credits. Fragmented delivery; reliance on the Real Time Information system which only provides lagged information; and an apparent inability to even close down a claim means that there are sometimes a number of different views of a single individual’s circumstances. So, nearly 1 in 5 UC households receive £0.00; around 1 in 6 are on a workless conditionality regime but are considered by HMRC to be in work; and around 1 in 6 are on an in-work conditionality regime who HMRC consider to be workless.

29. This is most obvious to migrants from legacy benefits because their experience will have changed. However, in fact, this widespread uncertainty and obvious errors are not a fault of the migration process but an inherent feature of the poor design and delivery of Universal Credit.

**FINAL COMMENT: USING THE MIGRATION PROCESS TO LOOK FORWARD.**

30. A key conclusion from this note is that it would be better to have a separate system for UC migration than the main UC system. But having two different systems also enables comparisons to be made and lessons to be learnt from both systems. This raises the possibility of not just learning from the main UC system but also from the different migration system.

31. Three elements might be worthy of scrutiny - advance payments, health checks (the All Work Test) and greater use of benefit levels fixed for longer than a month. Of these the former two do not seem to fit into the main UC system anyway. For example, the ESA health checks take forever and there is a danger that these delays are added to UC delays in the main UC system. Also, the outcome from such checks sends completely the wrong message – the Support Group are excluded from Welfare to Work help as the state deems them to be incapable of work.

BILL WELLS

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1 This section is taken from my recent submission to the Social Security Advisory Committee (SSAC) on the Claimant Commitment.

2 ‘The transition from tax credits to Universal Credit: qualitative and quantitative research with claimants.’ HMRC/DWP December 2017

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3 'Moving to Universal Credit through Managed Migration' Citizen Advice Oct 2018
https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Briefing%20-
%20Final%20draft.pdf

4 Citizen Advice response to the Social Security Advisory Committee's consultation
into the managed migration regulations
https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/welfare-policy-research-
surveys-and-consultation-responses/welfare-policy-research/our-response-to-the-social-security-
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