Policy in Practice

PRESS RELEASE

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78% OF SELF-EMPLOYED LOW-INCOME LONDONERS SET TO BECOME £4,128 PER ANNUM WORSE OFF UNDER UNIVERSAL CREDIT'S NEW INITIATIVE

Using administrative data collected from 19 London Boroughs, and following their incomes over two years, Policy in Practice have found that:

- 78% of self-employed households on low-income in London report earnings below the National Living Wage, and are set to become £344 per month worse off under Universal Credit's MIF
- 91% of London households currently report earnings below the MIF. 78% have been reporting earnings from self-employment for 13 months or more - longer than the proposed grace period - and would thus be affected by the MIF should UC be rolled out today
- The average gap between their level of earnings and the MIF threshold is £845 per month, the equivalent of an additional 26 hours per week, at the hourly rate of £7.50. (NLW)

Current benefit system rules compensate for reported earnings below the national minimum wage through Tax Credits and/or Housing Benefit. Under Universal Credit's MIF, earnings are assumed to be at the National Living Wage or above. This means that self-employed people who report earnings below the minimum wage will lose out.

Deven Ghelani, Director of Policy in Practice, said:

"Self-employed people should aspire to earn at least the National Living Wage, but this can be the only valid route into work for some people.

"This policy could deter some people facing high barriers to work from taking their first steps into work, undermining the overall aim of Universal Credit."

The DWP argue that the measure is designed to encourage people to increase their earnings and move into gainful employment. Companies in the 'gig economy' that contract self-employed people should pay them at least the National Minimum Wage. However, some people who have little choice other than self-employment, including those with high barriers to work, could be worse off in work, undermining the aim of Universal Credit.

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Editor's notes

Policy in Practice is an independent organisation founded by one of the architects of Universal Credit to make policy work for people on the frontline. It provides policy expertise, analytics and software available through GOV.UK through their benefit calculation engine.

You can download the report referenced in the press release here.

The research is supported by the Trust for London, as part of a project tracking the living standards of over 574,000 low income households across London over two years, including around 45,000 people who were self-employed. It allows policymakers to ask a different set of questions:

- A datastore includes over 10 million records, to show the impact of reforms on large cohorts and individual households
- Our policy engine allows us to model changes now and in the future, such as Universal Credit and self-employment
- Tracking households over time allows us to understand causal relationship between interventions and outcomes
- We can benchmark the impact geographically to understand drivers and pinpoint support to individual households
- Layered over this is an analytics engine allows councils to take a proactive and predictive approach to supporting families on low incomes, and track the effectiveness of their interventions.

The OBR welfare trends report (Table 5.8) finds that 436,000 people nationally will be affected by the Minimum Income Floor, 65% of all self-employed claimants.

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