Policy in Practice

MEDIA RELEASE

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7 FACTORS THAT DETERMINE WHETHER FAMILIES WILL COPE WITH THE MOVE TO UNIVERSAL CREDIT

- Study by Policy in Practice for The Joseph Rowntree Foundation identifies 7 factors that determine a household's ability to cope with the move to Universal Credit. These factors can often interact and overlap
- At least 3.3 million households, or 71% of the cohort yet to move to Universal Credit, will face at least 1 of these challenges
- At least 1.2 million low-income households, around 26% of the cohort yet to move onto Universal Credit, will face 2 or more of these challenges

On the plus side, the analysis shows that it is possible to identify these pressure points, and to act proactively to prevent hardship and ease the transition to Universal Credit.

Policy in Practice's analysis was commissioned by the Joseph Rowntree Foundation and supports a Trussell Trust report #5WeeksTooLong: why we need to end the wait for Universal Credit, also out today.

The 7 factors determining financial resilience are:

1. **Savings and Debts:** 14% of people yet to move to Universal Credit have insufficient savings to cover the five week wait and are already in debt or struggling to pay their bills before they move to Universal Credit. This represents 700,000 households yet to move to Universal Credit.

2. **Delays in payments:** 11% of people yet to move onto Universal Credit, based on the current Universal Credit processing times, are likely to receive no payment at five weeks from their initial claim date. This represents 500,000 households yet to move to Universal Credit.

3. **Income after costs:** 16% of households are unable to meet their outgoings both during the five week wait, and while repaying the Universal Credit advance. This represents 740,000 households. A further 25% of households face an income shortfall during the five week wait and return to surplus afterwards, this represents 1.3 million households.

4. **Run-on support:** Households will not get run-on support for their children through Child Tax Credit, this represents 1.9m families and 3.8m children. A further 8% of households will receive no run-on support at all as they make new claims for Universal Credit.

5. **Deductions from UC:** 25% of the current cohort face deductions greater than 20% of the standard allowance, this affects 500,000 families today, and will affect a further 1.2 million households as Universal Credit rolls out.

6. **A lower award amount under UC:** 28% of households who will move onto Universal Credit are eligible for a lower award than under legacy benefits. This represents 1.3 million households. Of these, 700,000 households moving to Universal Credit through natural migration will be immediately impacted, while 600,000 households expected to move to Universal Credit through managed migration will initially receive transitional protection.

7. **Work ready:** 44% of the Universal Credit cohort are not expected to look for work due to illness or caring responsibilities, meaning that work is unlikely to be a route out of the financial difficulties they may face.

Deven Ghelani, the Director of Policy in Practice and one of the architects of Universal Credit said:

"The evidence shows that while Universal Credit is improving, many households will still struggle with the transition. With over 4 million households yet to move onto the new benefit, families facing multiple challenges, such as having no savings, facing delayed payments, and getting a lower award on Universal Credit will need additional support.

The important point is that these households can be identified in advance and hardship prevented if they get targeted support to manage the move onto the new benefit. Universal Credit then becomes a better platform on which to build than the legacy system is replaces."

The analysis support new research by the Trussell Trust, showing that in areas where Universal Credit has been rolled out for at least a year, food banks in their network have seen a 30% increase in demand.

Policy in Practice recommends the Government should introduce 4 measures, as a priority:

1. A **targeted grant** in place of the Universal Credit advance payment for those households clearly struggling because of the transition to Universal Credit;
2. A **two-week run-on of Child Tax Credi**t, paid through the Universal Credit system, to help families with children;
3. **Fortnightly payments of Universal Credit**, starting with an initial payment at two weeks based on the estimated monthly award amount.
4. **Greater flexibility** in processes such as recovery of overpayments and advances, claim verification and backdating, as called for by claimants, to help people to manage the transition to Universal Credit.

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ABOUT THE REPORT

Download *FINANCIAL RESILIENCE AND THE TRANSITION TO UNIVERSAL CREDIT* report:

Full report (with technical appendix)
http://policyinpractice.co.uk/wp-content/uploads/Universal-Credit-and-Financial-Resilience-190919-Full-report.pdf

Summary (without technical appendix):
http://policyinpractice.co.uk/wp-content/uploads/Universal-Credit-and-Financial-Resilience-190919-Summary-report.pdf

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Policy in Practice is a socially-minded software company that works with councils, government, housing and community organisations to target and improve welfare support for people. Combining cutting-edge tech, insightful data and expert analysis, Policy in Practice is a leader in helping government to understand what's working, what can be improved, and how. The firm's award-winning Benefit and Budgeting calculator helps around 10,000 people every day find out what support they may be eligible for.

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