

## **Welfare Reform Bill 2011 - Universal Credit payment issues:**

**Briefing from Women's Budget Group (WBG) – September 2011**

### **Summary**

- The WBG has serious concerns about the impact of universal credit (UC) on progress to gender equality, and in particular on access to income for individuals in couples, especially for women. This briefing considers the implications of the government's proposals on who universal credit (UC) is paid to, and how often it is paid, and considers alternative possibilities for both.
- Couples will have to choose one partner to be paid UC. The absorption of payments for children and housing costs into UC makes this a highly significant issue of UC design; and the impact on incentives for 'second earners' means fewer partners are likely to have an income from wages.
- Arguments against paying all of various benefits/tax credits to one partner have included:
  - the person mainly responsible for children is more likely to spend any money on them;
  - labelling an element of benefit for children makes it more likely to be spent on them;
  - each partner having some income is likely to lead to a more equal and balanced relationship - particularly important for women, who are more likely to suffer economic abuse;
  - it is inconsistent with a 'rights and responsibilities' approach to require conditions to be fulfilled for a benefit (as both partners in couples will have to for UC) without a right to be paid benefit.
- The government argues that paying all of UC to one partner mimics wages. But wages are not jointly owned or jointly assessed, as UC is; and many families have two wages coming in.
- The government argues that not giving couples choice would be 'interference'. But requiring couples to choose one partner to get the whole of UC is also arguably 'interference'; and logically, if they can choose who is paid UC, they should be able to choose to split UC between them as well.
- Arrangements must be flexible enough to work for all kinds of families. Equality and sharing of resources cannot be assumed for all, and joint accounts cannot guarantee this for everyone.
- Alternative options for payment of UC to couples include: specifying the partner with the lower earnings/income to receive it; paying the elements for children and childcare to the 'main carer'; paying the elements for housing costs/disability/caring/health benefits to the person they apply to; splitting UC in half, or another fixed percentage; and allowing couples to choose how to split it. There are arguments for labelling different elements, and for considering the order of tapering off.
- Government arguments for monthly payment of UC do not stand up. Some 1 in 5 employees is still paid weekly/fortnightly, and many major benefits are paid at least fortnightly. This is not just a problem for a small minority who have difficulty budgeting. Women are likely to be hit harder, as in low-income families they tend to make more frequent purchases that can be cut back on more easily. UC should either be paid more frequently to everyone, or all should have this choice.
- The government's desire to encourage people into work means it is not considering the realities of the way low-income families live their lives. And facilitating individual access to income and financial security is not a threat to family stability, but on the contrary is likely to strengthen and support it, as well as furthering gender equality and other broader social and economic goals.

## 1. Introduction and background

**1.1** The **Women's Budget Group** (WBG) is an independent voluntary organization of individuals from academia, NGOs etc. We have been scrutinizing the gender implications of Budgets and spending plans of UK governments from the early 1990s. We believe that knowing about gender implications of policy changes is important in order to reduce gender inequalities, and also to ensure policy changes meet their goals most effectively. We have already undertaken gender analysis of the Welfare Reform Bill (see documents listed below, available on our website: <http://www.wbg.org.uk>).

**1.2** The Welfare Reform Bill 2011 sets out plans to introduce a Universal Credit from 2013, combining out-of-work, in-work and housing benefits/tax credits into a single means-tested benefit. The government describes this as simplifying benefits and increasing the incentives for claimants to move into (any form of) paid work. The WBG, however, has several concerns about **how Universal Credit (UC) will affect progress towards gender equality**.<sup>1</sup>

**1.3** We are concerned in particular about **access to income – earnings and benefits – for individuals within couples**. What we focus on here is payment of Universal Credit (UC), in particular in couples. This is because decisions about how UC is administered can have profound gendered effects. However, the impact of UC on incentives for many potential 'second earners' in couples in particular is also of concern. This makes issues about the payment of UC even more important; but it is also a key issue in its own right, which we have examined in our wider analysis of the government's proposals. We are also concerned about proposals to limit access to non-means-tested benefits. As the author of a recent working paper for the government<sup>2</sup> concluded (p. 3):

'For non-working partners, access to their own income is likely to both encourage relationship stability as well as provide a buffer against poverty if one partner loses their job. Welfare reforms which curtail contributory and universal benefits are likely to result in partnered women's increased dependency on their partners through means-tested benefits.'

**1.4** The rest of this **briefing on payment of UC** is structured as follows:

- information about **payment of current benefits/tax credits** (section 2 below)
- arguments which have been used for **not paying the whole of any benefits/tax credits to one person** in a couple (section 3)
- discussion of the government's **proposals with regard to payment of UC for couples** and their implications (section 4)
- consideration of **alternative methods of paying UC for couples** (section 5)
- discussion of the government's proposals on the **frequency of payment of UC** and their implications (section 6)
- consideration of **alternative periods for the frequency of UC payment** (section 7)
- **conclusions** (section 8)

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<sup>1</sup> A detailed analysis of the gender impact of Universal Credit can be found in written evidence to the Work and Pensions Select Committee Inquiry from Fran Bennett and Ruth Lister (WBG members) and Susan Himmelweit (for the WBG): <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/743/743we01.htm> and in WBG (2011) *Welfare Reform Bill: Women's Budget Group Evidence to Public Bill Committee*: [http://www.wbg.org.uk/RRB\\_Reports\\_6\\_3769269156.pdf](http://www.wbg.org.uk/RRB_Reports_6_3769269156.pdf). The WBG has also published a short research brief on Universal Credit (UC): [http://www.wbg.org.uk/RRB\\_Reports\\_13\\_4155103794.pdf](http://www.wbg.org.uk/RRB_Reports_13_4155103794.pdf).

<sup>2</sup> Ingold, J. (2011), *An International Comparison of Approaches to Assisting Partnered Women into Work*, Working Paper no. 101, London: Department for Work and Pensions.

**1.5** It is important to note, however, that, as with current means-tested benefits/tax credits, **whoever UC is paid to it will not constitute an independent income** in the same sense as earnings or non-means-tested benefits. This is because for couples UC claims will involve joint assessment of needs and resources, as well as joint claiming, joint ownership and joint liability. So an individual's income is affected by their partner's presence, actions and resources; and if one partner's income and/or assets are high enough for the couple to be ineligible, the other partner will get no UC. It is therefore important to consider wider concerns about both UC and the Welfare Reform Bill more generally, as noted above, and as discussed in the documents available on the WBG's website.

## **2. Payment of current benefits/tax credits: frequency of payments and recipient**

**2.1** There is no right of appeal about the way benefits/tax credits are paid; so it is important that the government gets it right. There is now 'direct payment' for most benefits/tax credits, which means they are paid into bank/building society/Post Office accounts for most people. From April 2011, benefit payments are usually made in arrears, most often **fortnightly** (since 2009),<sup>3</sup> and paid on the same day if someone is entitled to several. Child benefit is usually paid 4-weekly, but can be paid weekly in certain circumstances. Tax credits can usually be paid **weekly or 4-weekly** by choice.

**2.2 Housing benefit** to help with rent is usually paid at the same intervals as when rent is due. For private tenants, it is usually paid to the claimant as a rent allowance, though it can be paid to the landlord in certain circumstances (e.g. rent arrears). But housing benefit for local authority tenants is given in the form of a reduction in rent (a rent rebate). **Help with mortgage interest** for homeowners on means-tested benefits is usually paid direct to the lender, every 4 weeks in arrears.<sup>4</sup>

**2.3** Many couples have joint accounts; in many, one or both partners have individual accounts. As we understand it, any benefits/tax credits either partner has an individual right to, as well as any jointly owned by both of them, may be paid into an individual or joint (or other) account; the key issue is **who has the right to decide which account benefits/tax credits are paid into**. In the case of child benefit, for example, this is usually the mother; she may decide it should go into the couple's joint account, but that is her decision. It is easier to talk about who benefits/tax credits are 'paid to' – but in practice, this means who decides on the payment arrangement. Payments may be made to someone else in exceptional circumstances. And if someone in a couple claims housing benefit, it can be paid to their partner, even if the tenancy is in their own name only.

**2.4** As noted, some benefits/tax credits must now be **claimed jointly by couples living together** (rather than one partner being the claimant and the other the dependant).<sup>5</sup> There are now joint claims for tax credits, as well as income based jobseeker's allowance for childless couples (to be

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<sup>3</sup> Means-tested earnings replacement benefits such as income support/jobseeker's allowance are usually paid fortnightly in arrears. Benefits for extra costs (such as disability living allowance) are often paid monthly. Tenants who get rent allowance can insist on fortnightly payment if it is more than £2/week. ('Monthly' here usually means every 4 weeks, rather than every calendar month, except in the case of payments for rent.)

<sup>4</sup> Under the Welfare Reform Bill, council tax benefit is being replaced by a scheme run by local authorities, which will include a cut of 10 per cent in expenditure. This is not considered here, as it will not be part of UC - though it is important to note that other benefit payments such as this for many on low incomes will exist.

<sup>5</sup> Although this briefing focuses on male/female couples, assessment and payment rules affect registered same sex couples (civil partnerships); for means-tested payments (including UC), unregistered same sex couples are also affected if they are living together as partners.

extended to some couples with children). This means both members of the couple are responsible for reporting changes in circumstances, and for fulfilling any conditions of entitlement.

**2.5 Arrangements for payment to couples for jointly claimed benefits/tax credits vary.** Child tax credit and the childcare costs element of working tax credit are paid to the ‘main carer’. Working tax credit is paid to the full-time paid worker if there is only one, or to the partner the couple chooses if both work 16 hours or more. Income based jobseeker’s allowance can be paid to either partner.<sup>6</sup>

### **3. Arguments used for not paying all of various benefits/tax credits to one partner in couples**

**3.1** The main arguments for not paying all of various benefits/tax credits a couple qualifies for to one partner have been set out elsewhere by the WBG and others; they have included :

- in couples with children, the **person with the main responsibility for the children** is more likely to be the partner who spends money on them, and so should receive any money specifically for children; in many couples, in the UK and elsewhere, this has traditionally been the woman, but with child tax credit the couple decides who is the ‘main carer’;
- **labelling part of the money as being for children** (most clearly by splitting it off from the rest of the benefit/tax credit) makes it more likely to be spent on them;
- in a couple, receipt by **each partner of some individual income**, rather than economic dependence, is more likely to result in a balanced relationship, in terms of financial decision making etc.;
- this is **particularly important for women**, who are less likely to have other sources of income, especially when they have children, and are more likely to suffer economic abuse (considered as a form of domestic violence);<sup>7</sup>
- in a joint claim, with both partners responsible for fulfilling the qualifying conditions, it is **inconsistent with a ‘rights and responsibilities’ approach** to pay the whole benefit to one partner.

These points are discussed in more detail in relation to UC below.

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<sup>6</sup> Contributory benefits (including jobseeker’s allowance) are individually owned and therefore continue to be paid to the claimant him/herself, though with the option of payment into a joint account if they so wish.

<sup>7</sup> Sharp, N. (2008), *‘What’s Yours is Mine’: The different forms of economic abuse and its impact on women and children experiencing domestic violence*, Refuge. Nearly 9 in 10 users of Refuge’s domestic violence services contacted via questionnaires and interviews reported economic abuse as part of their experience of domestic violence. Abuses included the perpetrator controlling their access to economic resources (3 in 4 of those experiencing economic abuse). Of those women reporting claiming benefits in a relationship with the perpetrator, under half reported having access to that income. See also Westaway, J. and McKay, S. (2007), *Women’s Financial Assets and Debts*, London: Fawcett Society, who argue (p. 4) that ‘financial abuse as a form of domestic violence appears to be a major, but largely overlooked, problem’. Adams *et al.* (2008, p. 564) describe economic abuse as ‘behaviours that control a woman’s ability to acquire, use, and maintain economic resources, thus threatening her economic security and potential for self-sufficiency’), in ‘Development of the scale of economic abuse’, *Violence Against Women* 14(5), pp. 563-88.

#### 4. Government proposals on payment of UC for couples and their implications

**4.1** The government is proposing that couples make joint claims for UC, but that normally they would be required to choose one partner to be paid the whole of UC. In practice, this means that partner could decide which account the payment goes into – their own, or a joint account (etc.). **Decisions about how UC is paid, and to whom, are much more significant** than for current benefits/tax credits, because several different means-tested payments are being rolled up into UC, including some for additional costs (housing/childcare etc.).<sup>8</sup> In addition, the government is seeking to pay help with rent direct to more tenants, rather than to their landlords. So more income is likely to be paid to people themselves. And if the government pursues its proposal to pay UC monthly, one partner could be entitled to receive several hundred pounds every month, with the other getting nothing. As a recent working paper for the government<sup>9</sup> put it (p. 24):

*‘... with regard to partnered women’s access to an autonomous income, it is of concern that although both partners can make a claim for UC (and are subject to conditionality) only one person per household receives the payment.’*

It is not clear yet what will happen if couples cannot agree about which partner should be paid UC.

**4.2** The government has said<sup>10</sup> it is considering options to **ensure payments are made fairly to households**. In the Public Bill Committee stage,<sup>11</sup> the minister, whilst stating that the government’s clear preference was to make a single household payment, said there might be circumstances where it was necessary to divide payments between a couple. He said the government did not want to create a system that was inflexible, and explained that there is existing legislation that allows for payments to be split and paid to different people. (This is usually to cope with situations in which one partner is refusing to maintain the other; payments can also be made direct to lenders etc., and when someone is sanctioned the remainder of the benefit can be paid to the other person instead.)

**4.3** Payment issues are often seen as questions of delivery; but they are in fact integral to the design of UC. The minister has said that routinely dividing payments in couples would contradict one of the principles of UC. The government’s arguments in favour of paying UC to one member of the couple<sup>12</sup> include, first, wanting **receipt of UC to be as much like receipt of a wage/salary as possible**. So it argues that one payment should be made (in particular so that the couple can see more clearly the impact of work decisions on their benefit payments). But this does not reflect reality. UC is jointly claimed, jointly owned and jointly assessed; none of this is true of wages. In any case, in many couples today there are two earners, and therefore two wages coming in.<sup>13</sup> And in many, each partner may receive one or more benefits/tax credits as well (child benefit, housing benefit, child tax

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<sup>8</sup> Child benefit, disability living allowance and other non-means-tested benefits remain separate.

<sup>9</sup> Ingold, J. (2011), *An International Comparison of Approaches to Assisting Partnered Women into Work*, Working Paper no. 101, London: Department for Work and Pensions.

<sup>10</sup> In a letter from Lord Freud to Platform 51, 25 May 2011.

<sup>11</sup> As cited in Kennedy, S. *et al.* (2011), *Welfare Reform Bill: Committee Stage Report*, Research Paper 11/48, House of Commons Library: <http://www.parliament.uk/briefing-papers/RP11-48>

<sup>12</sup> As set out in DWP (2011), *Universal Credit Policy Briefing Note 2: The Payment Proposal*.

<sup>13</sup> Although women are more likely to be wageless at certain periods, especially when they have young children, and their earnings are more likely to be lower and interrupted – one reason why (as noted above) it has been argued that women should receive child related payments (the ‘main carer’ for child tax credit).

credit, working tax credit, disability living allowance, housing benefit etc.). **Paying part of the UC payment to each partner would more accurately reflect the payment of wages, and real life today.**

**4.4** The second argument the government makes is that ‘government interference in this area will inevitably have the effect of undermining individual responsibility’.<sup>14</sup> This is taken from the DWP policy briefing note on payment, which in turn cites a statement in a social security law textbook.<sup>15</sup> But this statement concerns the payment of parts of benefit to third parties, not the issue of which partner(s) within couples should be paid benefit; so it is hard to see its relevance. In any case, **insisting that couples choose one partner to get all the UC is also government ‘interference’.**

**4.5** The government also argues that different households handle their finances in different ways, and that only 7% of cohabiting and 2% of married couples have completely separate finances.<sup>16</sup> It believes that in most cases decisions over the allocation of household resources for different purposes are best made by members of the household themselves, as they are by non-UC claiming households; and that the state should only intervene in exceptional circumstances. But if the government sees choice as important, logically **it should also be allowing couples to choose to split UC, instead of it being paid to one partner.**

**4.6** These statements also ignore the fact that currently child benefit is paid to the mother, and child tax credit to the ‘main carer’; so **the government is already intervening**, by giving a steer (‘nudge’) in terms of certain elements of the household budget. In addition, some benefits are given in kind, in part in order to direct them to particular individuals within families (free school meals, and free prescriptions, for example). The suspicion must be that it is in part an administrative imperative that underlies the government’s arguments: partial payment of UC to different people, and applying a single withdrawal rate to the benefit paid to both partners, might be more difficult to arrange.

**4.7** The WBG is concerned about the implications for gender equality of collapsing most current benefits/tax credits into a single payment, probably paid monthly, and paying it in most cases to one partner. For many low-income families, putting different benefits together into one payment is likely to make it **harder for such families to budget**, as they will not be able to juggle different payments, as many currently do.<sup>17</sup> **This will affect women in particular**, because they often manage the budget in low-income families and do the day-to-day household spending. And when money is short, women often go without, as they tend to be the ‘shock absorbers’ of poverty.<sup>18</sup> (See below.)

**4.8** The WBG is seriously concerned about proposals which concentrate financial resources and power into the hands of one person. And **‘choice’ takes place in a context of gender inequalities** within as well as outside the household. If couples choose the man to receive the UC payments,

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<sup>14</sup> Letter from Lord Freud to Platform 51, 25 May 2011.

<sup>15</sup> Wikeley, Ogus and Barendt’s *The Law of Social Security* (5<sup>th</sup> edition), p. 334 (as cited by the government). This source in fact uses ‘arguably’ rather than ‘inevitably’ in its discussion of this issue.

<sup>16</sup> Maplethorpe, N. *et al.* (2010), *Families with Children in Britain: Findings from the 2008 Families and Children Study*, Department for Work and Pensions Research Report 656, Leeds: Corporate Document Services. (This figure refers to couples with children only, therefore.)

<sup>17</sup> See, for example, Institute for Public Policy Research (2009), *When Times are Tough: Tracking household spending and debt through diaries – interim findings*, London: IPPR.

<sup>18</sup> Ruth Lister in Women’s Budget Group (2006), *Women’s and Children’s Poverty: Making the links*, London: WBG.

this will affect many women's access to an individual income for children and for themselves – income they are less likely than men to receive from other sources. Indeed, the government has noted in a recent Written Answer: 'particularly in low-income households ... men sometimes benefit at the expense of women from shared household income'.<sup>19</sup> Men may be seen as having a right to personal spending, whereas women's spending on home and children can be seen (by both men and women) as their personal spending.<sup>20</sup> The Millennium Cohort Study showed that 1 in 4 mothers did not even have a small amount to spend on themselves, rising to 1 in 2 in households on under 60 per cent of median disposable income.<sup>21</sup> Mandatorily paying the whole of UC to one person could increase the numbers of mothers in this situation.

**4.9** A study of 30 black and minority ethnic women in low-income couples in north-east England included several women who 'had so little access to money that their husbands were effectively in control of key aspects of their lives'.<sup>22</sup> Other women said they only had a say in financial matters because they had their own earnings. Whilst this was a specific group, **equality in sharing resources and financial decision making cannot be assumed for all**. This is the context in which couples will be required to choose which partner receives, in many cases, virtually all the money they are entitled to, for themselves and any children (except for child benefit, other non-means-tested benefits, and those benefits that remain (or are taken) outside the scope of UC, such as council tax benefit).

**4.10** The government has argued that 'directing [UC] payments to a joint bank account might allow both partners to have access to the money'.<sup>23</sup> This statement is cautious in tone – and rightly so. Joint accounts are certainly often seen as the symbol of togetherness, trust and sharing. But in fact financial practices within couples can be more or less joint or equal with either individual or joint accounts.<sup>24</sup> Having a joint bank account does not always mean that both partners draw from it in practice. Joint accounts may only be used for certain purposes, especially by (e.g.) remarried couples with other commitments. Having an individual account seems more important for women, especially in terms of independence.<sup>25</sup> **A joint account does not always guarantee access for both partners to the money held in it, or equal sharing of management and control of household finances.**<sup>26</sup> This is

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<sup>19</sup> House of Commons *Hansard*, Written Answers 14 March 2011, col. 126W.

<sup>20</sup> Goode, J., Callender, C. and Lister, R. (1998), *Purse or Wallet? Income distribution within families on benefits*, London: Policy Studies Institute.

<sup>21</sup> Hansen, K., Jones, E., Joshi, H. and Budget, D. (eds.) (2010), *Millennium Cohort Study 4th Survey: A user's guide to initial findings – 2<sup>nd</sup> edition*, London: Centre for Longitudinal Studies, Institute of Education, University of London.

<sup>22</sup> Warburton Brown, C. (2011), *Exploring BME Maternal Poverty: The financial lives of ethnic minority mothers in Tyne and Wear*, Oxford: Oxfam GB.

<sup>23</sup> Department for Work and Pensions (2011), *Universal Credit Policy Briefing Note No. 2: The Payment Proposal*, para. 3a).

<sup>24</sup> Lewis, J. (2001), *The End of Marriage? Individualism and Intimate Relations*, Cheltenham: Edward Elgar Publishing, p. 165.

<sup>25</sup> Rake, K. and Jayatilaka, G. (2002), *Home Truths: An analysis of financial decision making within the home*, London: Fawcett Society.

<sup>26</sup> Sung, S. and Bennett, F. (2007), 'Dealing with money in low- to moderate-income couples: insights from individual interviews', in K. Clarke, T. Maltby and P. Kennett. (eds), *Analysis and Debates in Social policy 2007*:

not just an issue about economic abuse – although Adams *et al.* (2008) argue, discussing economic abuse as a form of domestic violence, that ‘an abusive man may ... demand that her [his partner’s] money be put into a joint bank account so that he can spend it freely’ (p. 567).<sup>27</sup> For example, cohabittees are less likely to have joint accounts than married couples. A recent survey of 2,000 people by FirstDirect found that nearly 60 per cent of cohabiting couples did not set up a joint account when they moved in together, while a further 21 per cent only set up a joint account for bills.<sup>28</sup> Joint savings, investments and debts in couples are decreasing.<sup>29</sup>

**4.11** It is important to remember that many couples affected by UC will just be getting together; others will be in the process of splitting up; many will be cohabiting, remarried or reconstituted couples. **Arrangements for UC must be flexible enough to work for all kinds of families**, not just long-term stable married couples. The government is keen to encourage committed couple relationships. Recent research suggested that an imbalance of power or control of financial matters could result in relationship problems, and this was sometimes related to gender role expectations – though, importantly, lack of adequate finance was the most frequent cause.<sup>30</sup> The proposed situation in which one partner receives all the UC, including payments for housing, disability, child and childcare costs, is in our view, **less likely to provide a stable basis for committed coupledom**.

## 5. Alternative methods of paying UC for couples

**5.1** It is **not clear which partner couples would be likely to choose as the UC payee**. Perhaps the closest parallel is joint claims for income based jobseeker’s allowance; recent figures show 10,500 ‘male joint claims’ compared with 8,100 ‘female joint claims’.<sup>31</sup> But this is a relatively new benefit. And (as well as child benefit etc.) child tax credit and benefits for housing costs continue alongside it, perhaps paid to the other partner, which may influence this choice. In terms of other payments, 86 per cent of in-work couples getting child tax credits have a female payee; where out-of-work households have a dependent partner, however, the claimant is usually the man: 87 per cent of jobseekers allowance claims from someone with a partner, or a joint claim, are from a male

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*Social Policy Review 19*, Bristol: The Policy Press in association with Social Policy Association, pp. 151-173; Warburton Brown, C. (2011) *Exploring BME Maternal Poverty: The financial lives of ethnic minority mothers in Tyne and Wear*, Oxford: Oxfam GB: <http://publications.oxfam.org.uk/display.asp?k=e2011012712050838>.

<sup>27</sup> Adams *et al.* (2008), ‘Development of the scale of economic abuse’, *Violence Against Women* 14(5), pp. 563-588. In the qualitative interviews for the Within Household Inequalities and Public Policy (Gender Equality Network) project, one woman reported that her ex-husband had persuaded her to move her money from an individual into a joint account, and had then gone on holiday with a friend and spent it.

<sup>28</sup> Report in *The Daily Telegraph*, 9 May 2011.

<sup>29</sup> Kan, M.Y. and Laurie, H. (2011), ‘Savings, investments, debts and psychological well-being in married and cohabiting couples’, *ISER Working Paper 2010-42*, Colchester: Institute for Social and Economic Research, University of Essex: <http://www.iser.essex.ac.uk/publications/working-papers/iser/2010-42>

<sup>30</sup> Ramm, J., Coleman, L., Glenn, F. and Mansfield, P. (2010), *Relationship Difficulties and Help-seeking Behaviour*, Research Report DFE-R018, London: Department for Education. (These issues were reported by a representative sample of couples in long-term relationships interviewed in 2002-03 who had stayed together.)

<sup>31</sup> House of Commons *Hansard*, Written Answers 22 March 2011, cols. 965-6. For contribution based and income based jobseeker’s allowance together, the figures were respectively 1,300 and 500.

claimant, and around 65 per cent of income support claims that include a dependent partner are by men.<sup>32</sup> Some 81 per cent of guarantee pension credit claims in couples are made by men.<sup>33</sup>

**5.2 The option of paying (parts of) benefits to different people that already exists in regulations is insufficient.** The minister said at Committee stage that it is not the government's intention to have large numbers electing to have split payments. Each case may have to be argued for; this could involve, for example, showing 'proven misuse of money by one partner'.<sup>34</sup>

**5.3** There are various different ways in which splitting could be done for larger numbers, explored below: **mandating** all, or certain element(s), or a fixed percentage, of the payment to be made to one partner; or allowing couples to **choose to split** the payment. (We do not discuss a third option, of mandating couples to pay UC into a joint bank account - including setting one up if they do not have one; we hope enough has been said about the inability to guarantee equal access/control via a joint bank account to show this would not be an effective option.)

- There have been suggestions that the **partner to be paid all the UC should be specified – such as the lower earner or the one with the lower income.** In many cases, this would be the main carer or the disabled person. This would be preferable to automatically paying UC to the 'main earner' (however defined), or the full-time worker, because it would go to the person with a lower/no income. But it would still mean one partner getting all the UC, and would not determine what would happen for couples who had no other source of income.
- The most frequent suggestion is that **the element of UC intended to meet children's needs, and any childcare costs, should be paid to the 'main carer'** (in recognition of the fact that they are most likely to be responsible for this spending).<sup>35</sup> Indeed, the White Paper left open this possibility.<sup>36</sup> Governments introducing in work benefits in the 1980s (family credit) and 1990s (working families tax credit) planned to pay these via the pay-packet, but changed their minds. The previous government decided that child tax credit (CTC), introduced in 2003, should be paid to the 'main carer' for families in and out of work;<sup>37</sup> the 'main carer' also receives the childcare element of working tax credit. In the initial equality impact assessment (EIA) of UC, the government said it was 'considering potential impacts' of paying UC to only one partner, 'alongside any evidence about how families share their income and how money intended for children is spent. We will consider what if any gender impact this

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<sup>32</sup> Department for Work and Pensions (2010), *Equality Impact Assessment for 'Universal Credit: Welfare that Works' (Cm 7957)*, London: DWP. (It is not quite clear how the figures on income based jobseekers allowance joint claims correlate with those above for claims for JSA from someone with a partner or a joint claim; it is possible the difference is because the 87 per cent figure includes contribution based jobseeker's allowance.)

<sup>33</sup> Pension Credit Caseload Statistics for May 2010, accessed via Department for Work and Pensions Tabulation Tool, March 2011 (for pension credit overall the figure is 77 per cent men).

<sup>34</sup> Department for Work and Pensions (2011), *Welfare Reform Bill – Universal Credit: Equality Impact Assessment, March 2011*, London: DWP.

<sup>35</sup> See, for example, the UN Human Development Report (1990); see also Pahl, J. (1989), *Money and Marriage*, Basingstoke: Macmillan Education. (Some research refers to mothers rather than 'main carers'.)

<sup>36</sup> Department for Work and Pensions (2010), *Universal Credit: Welfare that works*, White Paper, Cm 7957, London: The Stationery Office, p. 68, para. 10.

<sup>37</sup> Although families on out of work benefits at the time of the change and still on them have not been transferred to child tax credit.

may have ...'.<sup>38</sup> (Rake and Jayatilaka (2002) found women tend to have responsibility for purchasing food and items for children;<sup>39</sup> and opinion polling in 2003 suggested most people thought all money for children should go to the mother.<sup>40</sup>) But by the Welfare Reform Bill EIA, this seemed to have progressed no further. A 'lead carer' must be identified by some couples with children for UC conditionality; but there is no read-across to UC payment.

If the elements for children were separated out, it would presumably be left to the couple to choose the 'main carer'. As with payment of the whole of UC (and as now), it is clearly possible for the more powerful partner to designate themselves the payee. However, this is less likely with payment to the 'main carer', because the **separating out of elements for children, and their labeling, give clear signals** to the couple.<sup>41</sup> Recent research by the Institute for Fiscal Studies found that the name of a benefit can have a significant influence on how it is spent;<sup>42</sup> and government research showed claimants of child tax credit identifying it as money for children, and spending it accordingly.<sup>43</sup> A childcare pilot found participants showed a clear preference for having the childcare element paid separately, so that they could manage childcare costs independently from the rest of their budget.<sup>44</sup>

**Separating out the elements for children could result in each partner having part of UC for themselves** (though the couple could decide that all the UC, including these elements, should go to the 'main carer'). The government has said it is considering how to display information about the make-up of a UC claim; but the minister said in Committee that, after the initial establishment of the award, the government did not intend to continue to identify the various elements. (The separation of child related elements and payment to the 'main carer' would of course only deal with payment issues for those with children.)

- The government is proposing to include a contribution to housing costs in UC. In couples, **UC – including this housing element – may not be paid to the person responsible for the**

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<sup>38</sup> Department for Work and Pensions (2010), *Equality Impact Assessment for 'Universal Credit: Welfare that Works'* (Cm 7957), London: DWP; <http://www.dwp.gov.uk/docs/universal-credit-equality-impact-assessment.pdf>

<sup>39</sup> Rake, K. and Jayatilaka (2002), *Home Truths: An analysis of financial decision making within the home*, London: Fawcett Society.

<sup>40</sup> HM Treasury press release, issued in March 2003 (ICM Research poll).

<sup>41</sup> In cases where the couple cannot agree, a decision is made for them, based on official guidance.

<sup>42</sup> Blow, L., Crossley, T. and O'Dea, C. with Beatty, T. (2011), *Labelling from the UK Winter Fuel Payment* and Blow, L. and Crossley, T. with Beatty, T. (2011), *Is there a Heat or Eat Trade-off in the UK?*, London: Institute for Fiscal Studies. The authors point out that the winter fuel payment is an unconditional cash transfer. See also Brown, J.C. (1990), *Child Benefit: Options for the 1990s*, London: Save Child Benefit.

<sup>43</sup> Hall, S. and Pettigrew, N. (Ipsos Mori) (2008), *Exploring the Key Influences on the Tax Credits Claimant Population*, HM Revenue and Customs Research Report 49, London: HMRC. This supports evidence on working families tax credit – see Bruegel, I. and Gray, A. (2002), *The Introduction of the Working Families Tax Credit: Its effect on women's access to independent income and participation in the labour market*, Belfast: Equality Commission for Northern Ireland.

<sup>44</sup> Hall, S. et al. (2011), *Qualitative Research into Families' Experiences and Behaviours in Childcare Affordability Pilots (CAP09): Actual costs pilot*, RR105, London: Department for Education, para. 8.2.3.

**rent/mortgage interest**, if the other partner is the payee. Currently, however, for couples on means-tested benefits the partner of someone liable to pay rent/mortgage interest can also be treated as liable, and therefore entitled to benefit for it – i.e. joint assessment for benefit overrides housing costs status; and the government is proposing to continue this under UC. But it will apply in more cases than now if, as planned, such contributions are paid to more tenants themselves, and/or if entitlement to mortgage interest assistance is extended.<sup>45</sup> Cases that might raise concerns include a lone parent with a new partner moving into her rented property; the couple will have to claim UC jointly, but the lone parent may not immediately be ready to share tenure rights with him. If her partner were paid the UC, this could result in insecurity of housing tenure for her and her children.

Some 1 in 4 cohabiters in one study said they had moved into accommodation their partner lived in; this was higher for separated/divorced men.<sup>46</sup> For 1 in 3 men and women (nearly 1 in 2 older women), when they started living together as a couple the accommodation was in their own name only. Another study included social housing tenants and owner-occupiers who did not (yet) wish to add their new partner's name to their tenancy/mortgage agreement.<sup>47</sup> **Housing tenure is not always joint among couples**, especially cohabiters. A recent survey of 2,000 people by FirstDirect, for example, found that of cohabiting couples moving in together, 18 per cent bought a property together with both names on the mortgage, with 52 per cent in a property rented or bought in only one partner's name.<sup>48</sup>

An additional option, therefore, is to **pay the element of UC for housing costs to the person responsible for housing costs**. However, if this option is pursued, consideration would need to be given to how to implement it taking into account the possibility that in some cases paying this element to the person liable for housing costs could mean giving additional resources to the person who already had more. Again, identification of this element of the UC payment would seem important in facilitating this.

- A convincing argument can be made that any element of UC for **disability related costs** should be paid to the person with the disability/ies, as it is their additional costs that entitle the couple to this extra; and the same argument can be made for the **element for caring** payable to someone caring for a disabled/elderly person. This would be a new arrangement compared with the current situation. But if the government replaces **passport benefits in kind** (such as free prescriptions) with cash compensation via UC, there would be a very strong argument that this should be paid to the person who qualified for them.
- There are clearly **other ways in which UC could be split**. Conditionality will increase for certain couple groups under UC and the government says that 'both members of the couple play an equal part in the claim'.<sup>49</sup> Payment of benefit to individuals has been seen by some

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<sup>45</sup> House of Commons *Hansard*, Written Answers 1 March 2011, col. 369W. (As now, these contributions may not be sufficient to cover the whole cost.)

<sup>46</sup> Haskey, J. (2001), 'Cohabiting couples in Great Britain: accommodation sharing, tenure and property ownership', *Population Trends* 103, pp. 26-36.

<sup>47</sup> Rowlingson, K. and Joseph, R. (2010), *Assets and Debts Within Couples: Ownership and decision making*, London: Friends Provident Foundation.

<sup>48</sup> Report in *The Daily Telegraph*, 9 May 2011.

<sup>49</sup> Department for Work and Pensions (2011), *Impact Assessment: Universal credit*, London: DWP, p. 30.

as the *quid pro quo* for individualised conditionality in the context of 'rights and responsibilities'.<sup>50</sup> A recent working paper for the government noted that in Australia and Denmark individual activity testing accompanies individual entitlement to benefit; its author recommended going beyond the inclusion of partners in conditionality to partially individualised entitlement and payment of benefit.<sup>51</sup> **Splitting UC in half, and paying half to each partner, is therefore one possibility** (with or without other divisions of the benefit).

This kind of arrangement, it has been argued, could give women in unequal relationships access to at least some money; on the other hand, it might encourage some men to think of their half as personal spending money.<sup>52</sup> There is some **identification of means-tested benefits as payments for the family** as a whole – perhaps particularly for those out of work. There also seems to be some resistance amongst people on low incomes to the idea of individual ownership of benefits; this may relate in part to the low level of benefits (seen as being for basics only), and the need for all income to be put together to make ends meet.<sup>53</sup>

But discussion in the UK has focused on only the adult elements of some existing means-tested benefits, rather than the implications of (e.g.) a 50/50 split of (the more substantial) UC between partners. And, if it was thought desirable to label certain elements of UC and pay them to the 'main carer', the person responsible for housing costs etc., less than half the remainder of the UC payment would be paid to each partner. So there are various options in terms of **mandating a division of UC between partners with a fixed percentage for each**.

But if the government believes in choice, it can be argued that logically it should **allow couples to choose to split the payment of UC between them, and to do so in whatever percentages they prefer**. The resulting need for couples to discuss and negotiate this could result in greater awareness of what UC was meant to cover, and of issues of financial distribution and decision making. Some would argue, however, that this should not override payment of the elements for children to the 'main carer' – which could then be combined with a choice of proportions in which to split the adult and other elements of UC.

- It may be administratively easier to split payment of UC by percentages than by different elements. However, even leaving aside gender equality issues, there are strong arguments for ensuring that UC is designed in such a way as to **facilitate labelling of different elements and the separating out and 'firewalling'** of these elements, so that (for example) if one part of UC is delayed, the remainder can still be paid.<sup>54</sup> There are also good reasons to specify an

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<sup>50</sup> E.g. see HM Treasury (1999), *Work Incentives: A report by Martin Taylor – The modernisation of Britain's tax and benefit system no. 2*, London: HMT.

<sup>51</sup> Ingold, J. (2011), *An International Comparison of Approaches to Assisting Partnered Women into Work*, Working Paper no. 101, London: Department for Work and Pensions. This could involve, for example, disregarding some element of a partner's income in the joint means test so that each partner could have some benefit, which would then be paid to them direct. Australia has such a partially individualised system now.

<sup>52</sup> This option was investigated in qualitative research with families on benefits in the late 1990s; see Lister, R. (1998), 'Income distribution within families and the reform of social security', *Journal of Social Welfare and Family Law* 21(3), pp. 203-220.

<sup>53</sup> Qualitative research with members of low/moderate income couples for the Within Household Inequalities and Public Policy research (project 5 of the Gender Equality Network ([www.genet.ac.uk](http://www.genet.ac.uk))).

<sup>54</sup> The government is proposing to deal with this through interim payment of UC.

order of withdrawal, to ensure that **the element for children is withdrawn after other elements** (as now, with child tax credit being withdrawn after working tax credit). These arguments should be taken into account in considering which payment options to pursue.

## 6. Frequency of payment of UC

**6.1 Monthly payment of UC is favoured by the government** (as shown in an answer to a recent Parliamentary Question, which also said no decision had yet been made). The government argues that this is the modern way, and is how most wages/salaries are paid. However, a study of working families tax credit in Northern Ireland showed a preference for receiving tax credit weekly, even if people's wages were paid monthly.<sup>55</sup> Moreover, **some 1 in 5 employees in the UK are still paid weekly or fortnightly.**<sup>56</sup> And many benefits/tax credits are paid weekly/fortnightly, as discussed above. Monthly UC payment - especially subsuming most other benefits, and paid to one partner in couples - would also not fit well with many low-income families' patterns of managing.

**6.2** Ministers say people having difficulty could be given (so far unspecified) help with budgeting. But the 2008 Families and Children Study (FACS)<sup>57</sup> shows that 1 in 4 families with children run out of money (always, most often or more often than not) before the end of the week/month, rising to 37% for the lowest income fifth. Already, therefore, **this cannot be dismissed as a problem for a small minority** unable to budget properly; if payment of UC is monthly, this number will undoubtedly rise. FACS also shows that few families with children have any savings to fall back on.

**6.3** The 2008 FACS data shows that amongst social housing tenants (likely to be on lower incomes) a higher proportion of couples say their money is managed by the woman. And recent research confirmed a pattern in low/moderate income families of women often doing day-to-day spending, with men paying the (usually monthly) bills, often by direct debit.<sup>58</sup> **So less frequent payment of UC would be more likely to hit women**, often responsible for the more frequent spending that may be easier to cut back on; in such situations, mothers can often be the ones to go without.<sup>59</sup>

**6.4** Ministers are said to believe that the move from weekly to fortnightly benefit payment in 2009 did not cause great problems, and that any issues in moving to monthly UC payment will only be

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<sup>55</sup> Bruegel, I. and Gray, A. (2002), *The Introduction of the Working Families Tax Credit: Its effect on women's access to independent income and participation in the labour market*, Belfast: Equality Commission for Northern Ireland.

<sup>56</sup> Figures of 18.1% from Office for National Statistics (Table G89.1, *Annual Survey of Hours and Earnings* (2010), based on employee jobs in the UK for workers on adult rates whose pay was unaffected by absence), supported by figures of 1 in 5 from the *Labour Force Survey* for Oct-Dec 2010 and the *Family Resources Survey*.

<sup>57</sup> Maplethorpe, N., Chanfreau, J., Philo, D. and Tait, C. (2010), *Families with Children in Britain: Findings from the 2008 Families and Children Study (FACS)*, Department for Work and Pensions Research Report 656, Leeds: Corporate Document Services.

<sup>58</sup> From the Within Household Inequalities and Public Policy project, part of the ESRC-funded Gender Equality Network ([www.genet.ac.uk](http://www.genet.ac.uk) – project 5). This may differ in particular if the woman is paid monthly (e.g. in a white collar job), whilst the main is paid weekly (e.g. in a manual job) or is on benefit himself.

<sup>59</sup> The simultaneous replacement of various national statutory provisions with localised discretionary schemes will also work against the goal of increasing certainty about income levels under UC, and be likely to make budgeting harder.

transitional. But recent findings from qualitative research with low-income families suggest the **move to fortnightly payment marked a step change in terms of reducing their ability to manage.**<sup>60</sup>

*'I think benefits should be paid weekly and not fortnightly ... I think it's just wrong to do it fortnightly because it is such a lengthy process ... fortnightly is a long time, two weeks is a long time. I am on income support and that used to be weekly and it was something to look forward to - but now they have put that fortnightly and all ... it's just wrong.'* (Single woman, looking after 13 year old son and 9 month old grandchild)

*'... at the moment I feel like I'm choosing every week which bill to pay, so there will always be a bill that I'm not paying. I think that if it was every week the same amount of money, it would be easier.'* (Single woman, looking after two children aged 4 and 2 years)

*'Before [the switch to fortnightly payments] I didn't have to struggle with anything ... with all these changes I'm just struggling ... before I never struggled ... like, never.'* (Woman with partner and 4 children, aged between 3 and 13 years)

**6.5** In addition, a move to monthly payment is clearly of a different order from this. Advisors on debt and welfare benefits in Oxfordshire recently collected responses from some clients who feared that they **would not manage, and would get into debt, if payment changed to monthly intervals:**

*'Very difficult to budget with 2-weekly payments. Impossible with monthly.'* (New claimant of employment and support allowance, living with partner, no children)

*'If I found it hard every 2 weeks, monthly would be harder to make it stretch and to pay the bills.'* (Unemployed woman in childless couple on income support)

One client with mental health problems said he was not very good at managing money or adapting to change; he had difficulty concentrating due to the effects of his medication, and still found it difficult adjusting to the 2009 change to fortnightly payment. He might of course qualify for the budgeting support to be provided; but this would mean him having to label himself as failing.

## **7. Alternative periods for payment of UC**

**7.1** It is not yet entirely clear whether, if the government is not persuaded to reduce the payment period, it is intending to **pay UC 4-weekly, or every calendar month**. This clearly makes a difference (e.g. there will either be 13 or 12 payments per year). Tax credits are currently paid 4-weekly, as noted; but many wages/salaries, and direct debits for bills, are paid monthly. The government appears to want to pay UC every calendar month. But this would be a significant change from the way many benefits are currently calculated. (The assessment period for UC does not have to match the payment period, and could presumably be shorter.)

**7.2** The clear alternative options for frequency of payment of UC are to **pay it more frequently to everyone** (e.g. weekly, or at most fortnightly, as with most working age benefits at the moment), or to **allow choice of more frequent payment** (as for tax credits, that can be paid weekly). Currently, in-work families receiving child tax credit above the family element (i.e. on lower income levels) are much more likely to choose to receive it weekly (1,511,700) rather than 4-weekly (1,170,000).<sup>61</sup>

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<sup>60</sup> Findings emerged from qualitative interviews conducted in the UK as part of an international comparative study in seven countries: *Shame, social exclusion and the effectiveness of anti-poverty programmes*. The study is based at Oxford University within the Department of Social Policy and Intervention, and is funded by the Economic and Social Research Council and the Department of International Development.

<sup>61</sup> HM Revenue and Customs (2011), *Child and Working Tax Credits Statistics, April 2011*, Table 7:1, London: HMRC. The frequency is not known for 57,200 families. (For in-work families getting at or below the family element of CTC only, 302,100 families received CTC weekly and 1,259,400 4-weekly (19,400 not known).)

## 8. Conclusions

**8.1** The government's desire to help claimants towards paid work seems to have blinded it to the realities of everyday life on a low income. And the common division of labour in many low-income couples means that, in families with children in particular, the **costs of less frequent payment are often likely to fall on women** – and cause increased stress for couples trying to stay together.<sup>62</sup>

**8.2** Moreover, **facilitating individual access to income should not be seen as a threat to family stability**, but as having the potential to strengthen it. The 2008 FACS study, for example, showed joint management of money as less likely in one-earner couples. The WBG believes paying all the UC to one partner could undermine the government's aim of encouraging committed couple relationships, as it increases the risk involved in individuals' decisions on family formation. For all but one of the respondents (largely women) in one recent study, for example, 'the security of some financial independence was described ... as providing the necessary security for the relationship to flourish'.<sup>63</sup> For someone contemplating moving in with a new partner, a significant leap of faith would be required, given joint assessment, claims and liability for UC, as well as the potential for the whole of UC to be paid to their partner. At the same time, the penalties for claimants not reporting changes of circumstances (such as living with a new partner) in a timely way are likely to increase.

**8.3** By and large, **these issues are not examined in the gender section of the Equality Impact Assessment of the Bill**. This does consider incentives to work, and the potential for 'purse to wallet' transfers relating to money for children – and commits the government to monitor the impact of UC on the distribution of income within households.<sup>64</sup> But the potential effects of the proposals on the committed coupledom the government supports do not seem to be fully recognised. And although the impact on potential second earners' work incentives is covered, its gendered implications are not fully analysed. Although the stated aim of UC is to increase the incentive to move into work, for those with no earnings disregard this incentive is likely to lessen; one key group affected in this way is potential 'second earners' in couples, often likely to be women, for whom incentives are anyway even lower once childcare costs are included. The EIA claims this is justified by the priority of helping at least one person in the household into employment. As we noted at the beginning of this briefing, this makes the proposals for UC payment even more worrying, but is also a key issue in its own right.

**8.4** The WBG believes that **individual financial security is a better basis for achieving flourishing relationships**, whereas financial dependence can put a strain on them; and that more flexible gender roles are more likely to result in family stability and equality in couples today. Yet some proposals discussed here point instead towards greater economic dependence of one partner on the other, and the reinforcement of a 'single breadwinner' model. In our view, this is not compatible with the government's duties on equality, or its other social goals. There is growing concern that encouraging single earner households is likely not only to stand in the way of gender equality, but also to impede employment and productivity growth, and increase the numbers of children living in poverty.<sup>65</sup>

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<sup>62</sup> When couples separate, payment to one partner may also cause difficulties during the transition in status.

<sup>63</sup> Lewis, J. (2006), 'Perceptions of risk in intimate relationships: the implications for social provision', *Journal of Social Policy* 35(1), pp. 39-57.

<sup>64</sup> Department for Work and Pensions (2011), *Welfare Reform Bill – Universal Credit: Equality Impact Assessment, March 2011*, London: DWP, pp. 14-21.

<sup>65</sup> For example, see Esping Andersen, G. (2009), *The Incomplete Revolution: Adapting to women's new roles*, Cambridge: Polity Press.