

Universal credit: payment to joint claimants

Committee stage of Welfare Reform Bill 2011, House of Lords, Oct 2011 (Clause 97)

Summary

1. It is proposed that couples will normally get a single universal credit (UC) payment, paid into one nominated account, including elements for costs of children, childcare etc., amounts for both partners, and often support for housing costs. The likely size of this single payment, alongside the requirement on both partners to fulfil conditions as appropriate, make this a significant change in a new and untried context.
2. Whilst some couples may choose to organise their finances in this way, imposing a single payment of UC on almost all couples seems to contradict the government's wish to give choice and not interfere in the way households organise their budgeting.
3. And though UC might be paid into a joint account, this could not guarantee equal access to the money in it, or equal management or control by both partners.
4. The government is keen to encourage financial capability amongst all adults; but if one partner gets no experience of handling money, they will not have the opportunity to learn - causing difficulties if they move into employment, and vulnerability if the couple separates.
5. The way UC is paid is intended to be modern and mirror the way most people do things today; but paying UC into one account does not match the direction of change in couples' financial arrangements, or mimic how wages are received for many.
6. The Secretary of State has declared his desire to end the 'couple penalty' in the benefits/tax credits system; but mandatory payment of UC to one account will increase the risks for those wanting to enter into a committed couple relationship.
7. The government says both partners 'play an equal part in the claim' for UC: both have to fulfil any conditionality requirements, and are jointly responsible for claiming and reporting changes – mandating a single payment sits oddly with this.
8. Paying all of UC into one account is more risky; if a problem occurs with the account, this may leave both partners with access to little or no income.
9. Putting benefits together is key to the design of UC; paying it into one account is not. Indeed, it is already acknowledged that there will have to be many exceptions to a single payment of UC: benefit for rent will sometimes be paid to housing providers; it is not yet clear if support for mortgage interest will be paid to lenders; a sanctioned claimant could lose their UC, and the remainder could be paid to their partner (etc.).
10. The easier it is for couples to make the arrangements that suit them for the payment of UC, including splitting it by elements or percentages, the smoother the introduction and operation of UC are likely to be.

The briefing expands on each of the numbered points above.

Written for Women's Budget Group

Introduction

This is a summary information and discussion briefing for the House of Lords Committee stage of the Welfare Reform Bill (Clause 97), written for the Women's Budget Group. The WBG is an independent voluntary organization of individuals from academia, NGOs etc. We have already undertaken analysis of the Welfare Reform Bill. For more detail on payment of UC to joint claimants and related issues, see <http://wbq.org.uk/pdfs/Universal-Credit-payment-issues-Sept-2011-revised.pdf>; and for a background briefing on the Bill see http://www.wbg.org.uk/RRB_Reports_15_4261226591.pdf.

This briefing follows the order of the summary, with a Conclusion, Addendum and Annex.

1. It is proposed that couples¹ will normally get a single UC payment, paid into one nominated account, including elements for costs of children, childcare etc., amounts for both partners, and often support for housing costs. The likely size of this single payment, alongside the requirement on both partners to fulfil conditions as appropriate, make this a significant change in a new and untried context.

1.1 UC extends joint claims (initially introduced for tax credits, and some claims for jobseeker's allowance (JSA)), to many more couples. Joint claims abandon the idea of a claimant and a dependent partner, and instead involve **both partners being responsible for the claim and fulfilling any conditions attached**. To date, such claims have involved choice about which partner is paid the benefit (JSA), or payment to the partner fulfilling certain roles - the full-time earner (for working tax credit),² or the partner nominated as the 'main carer' (child tax credit, and childcare support via tax credits).

1.2 What is new about UC is that it brings together a range of benefits/tax credits, in particular support for the costs of children for families on low/moderate incomes (child tax credit) and housing (rent or mortgage interest payments³). So the amount could potentially be much higher than for existing joint claim payments. And conditionality (if appropriate) for both partners will be extended beyond JSA joint claimants to many more couples. **This makes decisions about how UC is paid much more significant**. In addition, there is usually no right of appeal about how benefits are paid; and there will be no transitional protection for any losses by individuals *within* couples caused by changes in the amounts of benefit going into different accounts under UC. So it is important the government gets it right.

1.3 It appears that payment arrangements for contributory income replacement benefits are also going to be integrated with those for UC. It is not yet clear whether this means that these benefits will be paid together with UC (and therefore, for most joint claimants, into the one nominated account).⁴ **Ministers could be asked to clarify this**, as if this were the case an individual might not be receiving their own benefit to which they had contributed for years.

1.4 The WBG is seriously concerned about proposals which concentrate financial resources and power into the hands of one person. It is not clear which account couples would choose to pay UC into (or how joint or equal the exercise of such choices might be). This briefing

¹ This can include same sex partnerships as well as the male/female couples that are focused on here.

² If both partners are in paid work of 16 hours/week or more they can choose who receives working tax credit.

³ Help with mortgage interest costs will only be available to those on UC not in remunerative employment.

⁴ In the recent research on perceptions of welfare reform and UC, it was suggested that 'there is no explicit need to distinguish contributory benefits under UC' (p. 21), though the meaning of this is not entirely clear.

focuses on whether, in order to achieve the government's own objectives, there is a case for **couples being able to split the UC payment between different accounts**, instead of having a mandated single payment to one account. There are various ways of doing this.

1.5 An alternative suggestion has been made that, instead of one payment to a single nominated account, the whole of UC could be paid into an account chosen by the 'main carer' in couples with children, as child tax credit is now. This is considered briefly in the **Addendum** after the Conclusion to this document.

2. Whilst some couples may choose to organise their finances in this way, imposing a single payment of UC on almost all couples seems to contradict the government's wish to give choice and not interfere in the way households organise their budgeting.

2.1 Some couples arrange for all, or almost all, their money to go into one account. But many do not. Indeed, the government itself **says that different households handle their finances in different ways**. Secondary analysis of the Financial Services Authority baseline survey of financial capability carried out in 2005 (see 4.2 below) shows that:

- 12% of couples had a bank/building society account in one partner's name, and in 32% of couples both partners had accounts in their own name only (with no joint account);
- 46% had a joint account - often also with an account in one partner's name only; and
- 10% of couples did not have an account they used for day-to-day money management.

Research has shown that couples use a variety of accounts and ways of budgeting for both earnings and benefits. Ideas of individual ownership can be weaker in relation to means-tested benefit income – though having to fulfil conditionality can affect this,⁵ so this may mean that UC is seen differently. But, whilst qualitative research with low/moderate income couples showed most had their (jointly claimed) tax credits paid into joint accounts, this was not universally the case; and several said benefits/tax credits were paid into certain accounts to keep them separate from other income and/or use them for certain purposes, or to help them budget.⁶ A pilot found that participants preferred having the childcare element of working tax credit paid separately, so they could manage childcare costs independently from the rest of their budget.⁷ Research published in 1999 showed some couples did nominate one partner to claim all the family's benefits - but others divided the claims between them, according to traditional gendered lines or in other ways, so that they each received some.⁸

2.2 Requiring UC to be paid into one nominated account does not appear to facilitate these different ways of handling family finances, and seems inconsistent with the government's expressed wish to give choice and not to interfere in the way households organise their budgeting: 'making decisions over household finances and budgeting in the most appropriate way to meet family needs is best done by the family itself'.⁹ Logically, if couples can choose who is paid UC, they should be able to choose to split UC between them as well. This is not necessarily about couples budgeting individually rather than as a household (as the government sometimes seems to see this) but about them **being able to organise their monies in the way they think best**. Research has shown that the way couples manage money can itself affect the allocation of resources between them.

⁵ See, for example, Snape, D. and Molloy, D. with Kumar, M. (1999), *Relying on the State, Relying on Each Other*, Department for Work and Pensions Research Report 103, Leeds: Corporate Document Services.

⁶ Research in 2006 by Fran Bennett and Sirin Sung for Within Household Inequalities and Public Policy (project 5, Gender Equality Network, funded by Economic and Social Research Council (www.genet.ac.uk)).

⁷ 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.

⁸ Snape, D. and Molloy, D. (1999), *Relying on the State, Relying on Each Other*, Department for Work and Pensions Research Report 103, Leeds: Corporate Document Services.

⁹ Departmental briefing paper, cited by Baroness Lister of Burtersett in Grand Committee, 10 October 2011.

2.3 Recent research about perceptions of welfare reform and universal credit¹⁰ showed that a joint payment was seen as acceptable by most respondents; but people thought that which account UC was paid into would depend on the situation and preferences of the couple – which supports **arguments for greater flexibility**. Concern was also expressed elsewhere in the research about the risks in the ‘all the eggs in one basket’ nature of UC, which payment to one account would not tend to counter.

2.4 Respondents were also concerned about the **implications of a single payment for those in less stable or problematic relationships**, including people in transient couple relationships, and households with problems such as drug/alcohol abuse, problem gambling or domestic violence. There was also a view that joint household payments could result in a **‘purse to wallet’ transfer of resources in some relationships where this would matter**; in other words, benefits that would previously have gone to women, and by extension the children (e.g. child tax credit), would end up with men who might not share these. (The government noted in a recent Written Answer: ‘particularly in low-income households ... men sometimes benefit at the expense of women from shared household income’.¹¹) Previous governments decided to pay support for children in low-income families (e.g. child tax credit) to the ‘main carer’, because labelling such payments and paying them to the person most likely to be responsible for spending on children was seen as making it more likely that they will fulfil their goals, and because the ‘main carer’ is less likely to have other income.

3. And though UC might be paid into a joint account, this could not guarantee equal access to the money in it, or equal management or control by both partners.

3.1 The government has argued that ‘directing [UC] payments to a joint bank account might allow both partners to have access to the money’.¹² This statement is cautious in tone – and rightly so. Joint accounts are often seen as the symbol of togetherness, trust and sharing; and for many couples, they are also important for practical reasons. But couples’ financial practices can be **more or less joint or equal with either individual or joint accounts**.¹³

3.2 Having a joint bank account does not necessarily mean that both partners draw from it. Joint accounts may also only be used for certain purposes.¹⁴ Having an individual account seems more important for women, especially in terms of independence.¹⁵ A joint account **does not always mean that control of money or financial decision-making is equal**.¹⁶

3.3 This is not just an issue about economic abuse (though Adams *et al.* (2008) do 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

¹⁰ Rotik, M. and Perry, L. (2011), *Perceptions of Welfare Reform and Universal Credit*, Department for Work and Pensions Research Report 778, Leeds: Corporate Documents Services.

¹¹ House of Commons *Hansard*, Written Answers 14 March 2011, col. 126W.

¹² Department for Work and Pensions (2011), *Universal Credit Policy Briefing Note No. 2: The Payment Proposal*, para. 3a).

¹³ Lewis, J. (2001), *The End of Marriage? Individualism and Intimate Relations*, Cheltenham: Edward Elgar Publishing, p. 165.

¹⁴ For example, some remarried couples with other commitments outside their current relationship might not use the joint account for these transactions.

¹⁵ Rake, K. and Jayatilaka, G. (2002), *Home Truths: An analysis of financial decision making within the home*, London: Fawcett Society.

¹⁶ See, for example, 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>.

it freely' (p. 567)).¹⁷ A common pattern in one recent qualitative study of low/moderate income couples in Britain, for example, was for the couple to have a joint bank account and the woman also to have an individual account; more women than men had individual accounts, and – as noted above - benefits were often paid into these, especially if the man was earning the main wage (which tended to be paid into the couple's joint account).¹⁸

4. The government is keen to encourage financial capability amongst all adults; but if one partner gets no experience of handling money, they will not have the opportunity to learn - causing difficulties if they move into employment, and vulnerability if the couple separates.

4.1 As UC brings together a range of benefits, fewer regular payments will be made separately to individuals. Council tax benefit will be localised and paid separately from UC. But apart from this (and child benefit for those with children, and carer's allowance for carers), few sources of regular income will be paid separately from UC for those with no earnings – and it is possible that some or all passported benefits will be integrated into UC as well. The impact of UC on 'second earners' could mean fewer women in particular have their own earnings. And it is proposed that contributory employment and support allowance is time-limited to a year for many claimants. Because of all these developments, if a partner is not involved in the one account that UC is paid into, it is more likely that **they may not be dealing with money on a regular basis.**

4.2 The baseline survey of financial capability in 2005 showed that - although money is usually managed on a household level, with couples often sharing the task - 19% of people in the UK living with a partner **relied on someone else to manage the money** (being responsible for only one or none of five areas of money management).¹⁹ This was particularly likely for those with children. The partner taking responsibility was usually the one seen as more capable in this area. This study did not explore in detail the ways couples managed their money or divided their roles; but other information in it suggested that money management was often connected with managing an account. If UC for couples were only paid to one nominated account, it is likely that this percentage would increase.

4.3 Someone not handling money in their partnership could have problems if/when they move into work, as their wage/salary could be paid to their own account and they would not be used to dealing with this. If the couple separates, or one partner dies, and only one has been used to dealing with their money, the other is also left in a vulnerable position. These contingencies and others mean that, as the government recognises, **developing financial**

¹⁷ 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.

¹⁸ 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: Social Policy Review 19*, Bristol: The Policy Press in association with Social Policy Association, pp. 151-173.

¹⁹ Atkinson, A., McKay, S., Kempson, E. and Collard, S. (2006) *Levels of Financial Capability in the UK: Results of a baseline survey*, London: Financial Services Authority. The five areas of managing money were: making sure that bills were paid; and ensuring that money was put aside for 'lumpy' expenditure, for a drop in income, in case of a major expense, or for retirement. The domains of financial capability were: managing money (making ends meet and keeping track, as well as dealing with irregular commitments); planning ahead; choosing products; and staying informed.

capability is essential for the vast majority of individuals today. (The state pension is paid to each individual in couples, even if earned on the basis of a spouse's contributions.)

4.4 In order to open a bank account there are several requirements, in terms of proof of identity and income, that will be more difficult to fulfil for someone who has no source of income and is not responsible for paying utility and other bills. So facilitating some kind of division of payment and household budgeting responsibilities could mean more people being able to set up the bank accounts they would need in work, and thus would **help move people towards employment**, one of the key aims for UC.

5. The way UC is paid is intended to be modern and mirror the way most people do things today; but paying UC into one account does not match the direction of change in couples' financial arrangements, or mimic how wages are received for many.

5.1 We know that cohabiters are less likely to have joint accounts than married couples, for example. **It should not be assumed that all couples receiving UC are going to be married.** 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.²⁰ Joint savings, investments and debts in couples are also decreasing, according to up to date research.²¹

5.2 It is also important to remember that many couples affected by UC will just be getting together; others will be splitting up; many will be cohabiting, remarried or reconstituted families. **Arrangements for UC must be flexible enough to work for all kinds of families**, not just long-term stable married couples. It would seem sensible to use payment methods which operate flexibly and encourage sharing of responsibilities where appropriate.

5.3 The government has argued that paying UC in the way it proposes will mimic wages.²² But wages are not jointly owned or jointly assessed, as UC is; and for many couples today two wages are coming into the household, as they each have their own wage. In addition, many people in work receive tax credits and benefits alongside wages, and these different payments are often split between partners, as noted. Allowing for paying part of the UC payment to each partner - rather than mandating its payment to only one account - would **more accurately reflect the experience of being in employment, the payment of wages, and the reality of living in a couple** for many people today.

6. The Secretary of State has declared his desire to end the 'couple penalty' in the benefits/tax credits system – but mandatory payment of UC to one account will increase the risks for those wanting to enter into a committed couple relationship.

6.1 Respondents in the recent research about perceptions of welfare reform and UC identified a proportionately lower rate of benefit for couples compared to single people as an issue both in the current system and in UC.²³ The Secretary of State has declared his desire

²⁰ Report in *The Daily Telegraph*, 9 May 2011.

²¹ 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>

²² DWP (2011), *Universal Credit Policy Briefing Note 2: The Payment Proposal*.

²³ Rotik, M. and Perry, L. (2011), *Perceptions of Welfare Reform and Universal Credit*, Department for Work and Pensions Research Report 778, Leeds: Corporate Documents Services.

to end the so-called 'couple penalty'. But paying all the UC to one account (which may mean to one partner) could **undermine the government's aim of encouraging committed couple relationships**, as it increases the risks involved in such decisions for individuals.

6.2 For those on low incomes contemplating moving in with a new partner, for example, a significant leap of faith would be required, given not just joint assessment, claims and liability for UC but also the potential for the whole of UC to be paid into the other partner's account. This could be the case in particular for a lone parent considering joint residence with a new partner, because of the potential implications for the welfare of her children.²⁴ At the same time, however, penalties for claimants not reporting changes of circumstances (such as living with a new partner) in a timely way are set to increase.

7. The government says both partners 'play an equal part in the claim' for UC: both have to fulfil any conditionality requirements, and are jointly responsible for claiming and reporting changes – mandating a single payment sits oddly with this.

7.1 The government has argued that 'under UC the concept of a dependent partner no longer applies, and both partners play an equal part in the claim'.²⁵ This includes fulfilling any (personalised) conditionality requirements – which will be extended to affect many more of those in employment, up to an earnings threshold, as well as those out of work.²⁶ This will mean **a significant change for many women** in particular: nearly 3 in 4 partners affected by the introduction of personalised conditionality are female; and large numbers of those affected will have had lengthy gaps from paid work.²⁷

7.2 It does not seem consistent with this approach, which suggests a contract, to require both individuals in a couple to fulfil conditionality requirements (if appropriate) but **to only allow one account to be nominated** for UC payment. And resentment may be created if one partner has to fulfil conditionality requirements but the whole of UC is paid into the account of the other partner, some of whom may not have to fulfil any.

7.3 Currently childless couples have to make joint claims for jobseeker's allowance (JSA). The evaluation synthesis report about joint claims for JSA concluded (p. 3).²⁸

'Joint claims individualises the labour market participation requirement of benefit claims, requiring both partners to search for work. However, this individualisation does not extend to benefit payment. Although the level of dissatisfaction with choice of payee was generally low, some voiced a desire for individual payment.'

A recent working paper for the government also noted that in Australia and Denmark some individual entitlement to benefit accompanies individual activity testing.²⁹

²⁴ The vast majority of people claiming benefits as lone parents are women.

²⁵ Department for Work and Pensions (2011), *Impact Assessment: Conditionality measures in the 2011 Welfare Reform Bill*, London: DWP, para. 34 (our emphasis).

²⁶ The earnings threshold for couples is to be double the amount for single people, although the amounts of benefit and earnings disregards are not to be doubled for couples in the same way.

²⁷ Department for Work and Pensions (2011), *Equality Impact Assessment: Conditionality, sanctions and hardship*, London: DWP, paras. 19 and 22. The government argues that this policy is gender neutral.

²⁸ Bewley, H., Dorsett, R. and Thomas, A. (2005), *Joint Claims for JSA Evaluation: Synthesis of findings*, Department for Work and Pensions Research Report 235, Leeds: Corporate Document Services.

²⁹ 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 has some benefit, which is then paid to them direct. Australia has a partially individualised system now.

8. Paying all of UC into one account is more risky; if a problem occurs with the account, this may leave both partners with access to little or no income.

8.1 For those on low incomes, bank accounts can often be hard to manage, and things may go wrong. Respondents in the recent research on perceptions of welfare reform and UC were clearly anxious about potential problems with the calculation of UC, in terms of ‘all the eggs in one basket’, and the risk of errors in one part resulting in problems for the whole.³⁰ But problems can also occur in the benefits payment process. With UC, for many couples the vast bulk of their regular income will depend on this payment process working smoothly. It would make more sense to spread the risk, so that there is **less likelihood of both partners being left with access to little or no income** if something goes wrong with this.

9. Putting benefits together is key to the design of UC; paying it into one account is not. Indeed, it is acknowledged that there will have to be many exceptions to a single payment of UC: the element for rent will sometimes be paid to housing providers; it is not yet clear if support for mortgage interest will be paid to lenders; a sanctioned claimant could lose their UC, and the remainder could be paid to their partner (etc.).

9.1 Putting benefits together is a key principle of the design of UC; but it does not necessarily follow that it all needs to be paid into one account. The government’s desire that claimants should be clear about the impact of work decisions on their benefit is understandable. But it is not clear why payments in more than one account cannot be tapered off as earnings increase. (And this will need to happen with any exceptional cases anyway, presumably.) To make the success of a benefit dependent on its being paid in only one tranche seems rather risky, especially given the remaining unknowns about UC policy. There are **various different ways in which such splitting could be done (see Annex)**: certain element(s), and/or a fixed percentage, of the payment could be made to a different account; or couples could choose to split the payment in the proportions they wished.

9.2 In the Public Bill Committee,³¹ the minister, whilst stating the government’s preference 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 an inflexible system**, and that existing legislation allows for payments to be split/paid to different people or institutions. (This is to cope with situations in which one partner is refusing to maintain the other; payments can also be made direct to lenders etc.; and if someone is sanctioned, the remainder of the benefit is usually paid to the other partner.) But if these are only exceptions to a norm, each case may have to be argued for individually; this could involve, for example, showing ‘proven misuse of money by one partner’.³² This is labour-intensive work, and particularly hard to imagine in significant numbers given that the

³⁰ Rotik, M. and Perry, L. (2011), *Perceptions of Welfare Reform and Universal Credit*, Department for Work and Pensions Research Report 778, Leeds: Corporate Documents Services.

³¹ 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>

³² Department for Work and Pensions (2011), *Welfare Reform Bill – Universal Credit: Equality Impact Assessment, March 2011*, London: DWP. (The government says that it holds no information on current split payment cases (House of Commons *Hansard*, Written Answers 18.10.11, cols. 939-940W).)

vast majority of interactions by most claimants with the system are meant to be online. It involves claimants having to identify themselves as different and requiring special treatment; and it risks problematic cases being missed.

10. The easier it is for couples to make the arrangements that suit them for the payment of UC, including splitting it by elements or percentages, the smoother the introduction and operation of UC are likely to be.

10.1 It is crucial for the successful introduction and operation of UC that if either or both partners wish to split the UC payment between accounts, this **is not onerous but easy to put into effect**, without having to make a special case.

10.2 It is not yet clear what will happen under the single payment proposal if partners say they cannot agree, or if one partner is not happy with the nomination of a certain account. The evaluation of joint claims for JSA noted (p. 71) that most commonly it was the male partner who received the benefit; the issue of the payee was usually not questioned, probably because it continued the status quo under the previous system. Dissatisfaction was expressed only when partners subsequently realised that they had a choice over who would receive the payment. But with UC, **couples will be aware from the start that there is a requirement to choose one account** to pay it into; if more flexibility is not introduced, and exceptions are allowed only in specific circumstances, it is likely that there will be more disagreements, and therefore more government intervention in households' financial affairs.

10.3 Clearly, as noted above, **the payment of UC to couples could be split in various ways**. Some of these are examined in the longer Women's Budget Group briefing on options for payment: <http://wbq.org.uk/pdfs/Universal-Credit-payment-issues-Sept-2011-revised.pdf> (and see **Annex** below for an extract). The most frequent suggestion is that the element of UC intended to meet **children's needs, and any childcare costs**, should be paid into an account nominated by the 'main carer' (as they are most likely to be responsible for this spending).³³ Indeed, the White Paper left open this possibility.³⁴ 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 may have ...'.³⁵ But by the Welfare Reform Bill EIA, this seemed to have progressed no further. (Payment of the child related elements to the 'main carer' would, of course, only deal with payment issues for these elements, and only for those with children.)

10.4 More broadly, UC could be **split by its component parts** (payments for children, childcare costs, housing etc.), **or by percentages (or both)**. The government has said it is considering how to display information about the make-up of a UC claim, and Lord Freud on 10 October in Grand Committee (col. GC442) said that UC will be an itemised statement, with several layers of information online. In the Public Bill Committee the minister said that, after the initial award, the government did not intend to continue to identify the various elements of UC. But this is difficult to reconcile with the acknowledgement of the need to

³³ 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'.)

³⁴ Department for Work and Pensions (2010), *Universal Credit: Welfare that works*, White Paper, Cm 7957, London: The Stationery Office, p. 68, para. 10.

³⁵ 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>

split UC by its elements in a range of exceptions; and, as respondents in recent research noted, it makes it hard to see how anyone could verify the accuracy of the UC calculations.³⁶

10.5 Splitting by UC elements is likely to help with budgeting. It is also less likely to result in one partner seeing their share of the benefit as being for their own personal spending (a fear expressed by claimants themselves in previous research about splitting the adult element of means-tested benefits between the two partners).³⁷ And there is evidence that money identified for a specific purpose is more likely to be spent on that. Research by the Institute for Fiscal Studies, for example, found that the name of a benefit can have a strong influence on how it is spent,³⁸ and government-commissioned research showed claimants of child tax credit identifying it as money for children and spending it accordingly.³⁹

10.6 Splitting by percentages may be technically easier for the government to achieve, on the other hand, and could be argued to be more consistent with the individual ‘contract’ approach of UC, and with a focus on individual control of resources within the household. Percentages could either be fixed, or chosen by the couple.

Conclusion

The updated Impact Assessment of UC discusses its effects on *individual* welfare.⁴⁰ But it is arguably **harder to achieve the goal of delivering welfare to all individuals in the household if UC is paid into only one account**. And messages given to couples by the way in which benefits are delivered can be influential in terms of ensuring access to income by both partners and the spending of that income for the benefit of all household members.

A previous government research study about couples on benefits concluded (p. 10):⁴¹

‘There is perhaps a need for greater flexibility in methods of administering benefits to reflect the differing needs, priorities and circumstances of couples on benefit.’

We would support this and therefore argue that, instead of the splitting of UC between partners being a difficult process of specific exceptions, it should be **easily and straightforwardly available to all who choose it**. As we have demonstrated above, this would be more consistent with many of the government’s own objectives for UC.

³⁶ Rotik, M. and Perry, L. (2011), *Perceptions of Welfare Reform and Universal Credit*, Department for Work and Pensions Research Report 778, Leeds: Corporate Documents Services.

³⁷ 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; and Snape, D. and Molloy, D. with Kumar, M. (1999), *Relying on the State, Relying on Each Other*, Department for Work and Pensions Research Report 103, Leeds: Corporate Document Services.

³⁸ 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.

³⁹ 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.

⁴⁰ Department for Work and Pensions (2011), *Impact Assessment: Universal credit*, London: DWP, p. 9.

⁴¹ Snape, D. and Molloy, D. with Kumar, M. (1999), *Relying on the State, Relying on Each Other*, Department for Work and Pensions Research Report 103, Leeds: Corporate Document Services.

Addendum: single payment of UC

There is discussion about whether - especially if splitting payment of UC for joint claimants is not agreed - **the whole UC payment should be paid to the 'main carer'** in couples with children. This means the 'main carer' (decided by the couple) nominating which account UC is paid into. As with the current proposal that couples nominate one account for payment of UC, this could be their own, a joint, or another account. (This would only cover families with children; so a decision about UC payment for childless couples would still be needed.)

One argument is that if couples just choose one account for UC to be paid into, it is likely that, given what we know about inequalities within couples, in some cases the more powerful partner (more likely to be the man) could choose their own account. In couples with children, this is seen as less likely if couples were directed to ensure the 'main carer' decided about UC payment. The partner with main responsibility for the children is likely to be the one with less, or no, other income; so this would be more likely to give them **access to at least some resources**, and sufficient money would also be **more likely to be spent on the children**.

The arguments for paying benefit for children to the 'main carer' are widely accepted - see <http://wbq.org.uk/pdfs/Universal-Credit-payment-issues-Sept-2011-revised.pdf> and below. But this proposal goes further, with the whole of UC being paid to an account nominated by the 'main carer'. This may suggest **some reasons for caution**, also considered here:

- the payment directed to the 'main carer' would also include money for the other partner, housing costs etc. So this might seem to be conveying a message that **the 'main carer' should be responsible for the whole household budget**. Women often tend to be responsible for 'making ends meet' in low-income families, where this is more likely to be a source of stress. Mandating the 'main carer' to decide about the whole UC payment could exacerbate this problem.
- there is already some evidence of ambivalence about the implications of the phrase 'main carer'.⁴² Giving all the UC to the 'main carer' might create **resentment from some partners** - especially if they got no UC but had to meet conditionality rules – although the fact that the arrangement was mandatory might mean that this resentment is not directed at the 'main carer', but at the government. (Conversely, these partners might be tempted to nominate themselves, especially if this meant they could be the 'lead carer' for conditionality purposes too.)
- in addition, **some arguments outlined above against paying the whole of UC to one account also apply**. Compelling couples to put 'all their eggs in one basket' for UC may fit how many couples operate. But this is not true for all; and (see above) it seems counter-productive to force them into one pattern. And some might see it as illogical if only couples with children are directed as to which partner should make a decision about the whole UC payment, whereas childless couples will have a choice.

For these and the reasons outlined in the main briefing, we still believe **being able to split UC between members of a couple** is the best answer. It is difficult on the basis of the available evidence to say unequivocally which of the alternatives outlined here is preferable, if split payment is not agreed; but whatever the outcome, there should be **very careful monitoring** of the impact.

⁴² Expressed by some people, especially men, in the qualitative research by Bennett and Sung (footnote 5).

Annex - Alternative methods of paying UC for couples

(taken from Women's Budget Group briefing on universal credit payment issues, September 2011)

<http://wbg.org.uk/pdfs/Universal-Credit-payment-issues-Sept-2011-revised.pdf>

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'.⁴³ 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 claimant, and around 65 per cent of income support claims that include a dependent partner are by men.⁴⁴ Some 81 per cent of guarantee pension credit claims in couples are made by men.⁴⁵

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'.⁴⁶

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).⁴⁷ Indeed, the White Paper left open

⁴³ 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.

⁴⁴ 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.)

⁴⁵ 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).

⁴⁶ Department for Work and Pensions (2011), *Welfare Reform Bill – Universal Credit: Equality Impact Assessment, March 2011*, London: DWP.

⁴⁷ 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'.)

this possibility.⁴⁸ 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;⁴⁹ 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 may have ...’.⁵⁰ (Rake and Jayatilaka (2002) found women tend to have responsibility for purchasing food and items for children;⁵¹ and opinion polling in 2003 suggested most people thought all money for children should go to the mother.⁵²) 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.⁵³ 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;⁵⁴ and government research showed claimants of child tax credit identifying it as money for children, and spending it accordingly.⁵⁵ 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.⁵⁶

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

⁴⁸ Department for Work and Pensions (2010), *Universal Credit: Welfare that works*, White Paper, Cm 7957, London: The Stationery Office, p. 68, para. 10.

⁴⁹ 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.

⁵⁰ 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>

⁵¹ Rake, K. and Jayatilaka (2002), *Home Truths: An analysis of financial decision making within the home*, London: Fawcett Society.

⁵² HM Treasury press release, issued in March 2003 (ICM Research poll).

⁵³ In cases where the couple cannot agree, a decision is made for them, based on official guidance.

⁵⁴ 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.

⁵⁵ 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.

⁵⁶ 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.

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 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.⁵⁷ 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.⁵⁸ 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.⁵⁹ **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.⁶⁰

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 **passported 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

⁵⁷ House of Commons *Hansard*, Written Answers 1 March 2011, col. 369W. (As now, these contributions may not be sufficient to cover the whole cost.)

⁵⁸ Haskey, J. (2001), 'Cohabiting couples in Great Britain: accommodation sharing, tenure and property ownership', *Population Trends* 103, pp. 26-36.

⁵⁹ Rowlingson, K. and Joseph, R. (2010), *Assets and Debts Within Couples: Ownership and decision making*, London: Friends Provident Foundation.

⁶⁰ Report in *The Daily Telegraph*, 9 May 2011.

play an equal part in the claim'.⁶¹ Payment of benefit to individuals has been seen by some as the *quid pro quo* for individualised conditionality in the context of 'rights and responsibilities'.⁶² 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.⁶³ **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.⁶⁴ 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.⁶⁵

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.⁶⁶ There are also good reasons to specify an 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.

⁶¹ Department for Work and Pensions (2011), *Impact Assessment: Universal credit*, London: DWP, p. 30.

⁶² 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.

⁶³ 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.

⁶⁴ 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.

⁶⁵ 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)).

⁶⁶ The government is proposing to deal with this through interim payment of UC.