

## Submission to the Commission on Social Security

### 1. What steps can be taken to make Universal Credit better?

As Universal Credit is rolled out across the country it is clear that the concerns we have raised since 2011 about its negative impact were well founded. The impact of UC has been particularly severe on women who are more likely to claim social security because of lower earnings, and unpaid care responsibilities, more likely to experience domestic abuse, including financial abuse and more likely to be responsible for managing household budgets in poorer families. We believe that there needs to be a fundamental review of the social security system to ensure that it is fit for purpose. In the short term we would recommend the following changes to mitigate some of the worst impacts of the current system.

**End the benefit freeze:** In the summer 2015 Budget, the freeze on working-age benefits was extended to four years. The freeze will hit 13 million families (7.4 million of whom will be in work), who will lose an average £260/year<sup>1</sup>.

**End the five week wait:** In 2015, the government introduced a 7-day waiting period for many new claims that increased the minimum waiting time for the first UC payment to 6 rather than 5 weeks. (Those entering UC from legacy benefits do not have the 7 day waiting period.) Since UC is paid monthly in arrears, and the claim has to be processed administratively, claimants anyway have to wait more than a month between the date they make their UC claim until they receive the first payment. This has already brought hardship to people without enough savings to cover that month who have had to resort to foodbanks, borrowing, going without and debt to make ends meet. The Women's Budget Group recommends the government ends the 5 week wait and allows people to claim as soon as possible without getting into arrears.

**Address disincentives to second earners:** The tapering of Universal Credit at 63% for net income (above the level of the work allowance where relevant) reduces the incentive for second earners to enter paid employment, or to work more hours in relation to the tax credits system<sup>2</sup>. This is because in many couples the 'first earner' will have used up the work allowance in relation to their own wages already. The taper in the tax credits system was 41% of gross income.

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<sup>1</sup> Institute for Fiscal Studies (2015) Summer Budget 2015 (<http://bit.ly/2B8CpFI>)

<sup>2</sup> See for example Resolution Foundation (2013) All work and no pay: Second earners' work incentives and childcare costs under Universal Credit (<http://bit.ly/2hP1u35>)

This is especially true for lone parents and second earners on the minimum wage. For these claimants, working over 30 hours a week translates into lower disposable income compared with working fewer hours, since the childcare allowance and the pay received will not be enough to cover the tapering of UC, the tax that has to be paid on such income, and childcare costs.

**Target payment of different elements of UC to relevant individuals.** Wrapping all payments into one, as in Universal Credit, creates economic dependence and therefore power imbalances which could result in abuse or control. In addition a single payment means that if something goes wrong with a claim virtually the whole of the household's income is put at risk. Non means tested benefits, notably child benefit and carer's allowance, are ironically acting as a last resort safety net when waiting for UC, or when it goes wrong, because they are the only secure and separate payments made to individuals. This is another reason to underline the crucial importance of maintaining and increasing these non-means-tested benefits.

**Abolish the two-child limit:** The two-child limit has a punitive and disproportionate impact on larger families, particularly Black, Asian and Ethnic Minority (BAME) families who are more likely to have three or more children and on lone parents. It risks pushing these and other families into poverty. The two child limit also increases women's vulnerability to domestic abuse as women with more than 2 children may feel trapped between abuse and poverty if they cannot leave their abusive partners for fear of not being able to feed their children.

**Address in work conditionality** The introduction of UC means conditionality for the first time for many partners in couples, with and without children, who if they have had a partner in employment have previously not been affected. This will bring a large group of women in particular into conditionality for the first time. Conditionality for parents was increased from April 2017 onwards. Parents of 3- and 4-year-olds are expected to be available for work and actively seeking it. Parents of 2-year-olds are required to attend work-focused interviews, and they have a work preparation requirement, while parents of 1- year-olds are required to attend work-focused interviews. This may be problematic in particular for lone parents who struggle with job-seeking and looking after their children. The Women's Budget Group is concerned that there is little awareness amongst Jobcentre staff of the complexities of gender roles and relationships, or of the potential impact of the combination in UC of joint claims, conditionality for both partners, a joint earnings threshold target and a single monthly payment for most couples.

**Tackle the gender division of labour:** Aspects of UC (re)produce the gendered division of labour with its emphasis on first/second earners and first/second carers. This is a problem with single payments into a 'main carers' bank account also, it reproduces the idea that women work in the reproductive economy and men in the productive economy. This is not conducive with gender equality and can create power imbalances and/or economic dependence.

**Introduce separate payments by default:** Currently, Universal Credit is paid monthly into a single bank account. This increases women's vulnerability to financial and other forms of

domestic abuse<sup>3</sup>. It is possible to arrange Alternative Payment Arrangements (APAs) but this requires the victim/survivor to disclose abuse, which could exacerbate their situation. WBG recommends a system of separate payments by default.

**Carry out an updated Equality Impact Assessment:** Under the Public Sector Equality Duty, the government has a legal obligation to have 'due regard' to the impact of policy on people with protected characteristics, including sex. The main way to do this is through equality impact assessments. There has not been an Equality Impact Assessment of Universal Credit since 2011 despite evidence that its impacts are disproportionately disadvantaging women, disabled people and BAME households. In order to ensure the DWP is meeting its obligations under the PSED it should carry out a comprehensive Equality Impact Assessment undertaken before UC is rolled out to all claimants during the forthcoming 'managed migration' process.

## **2. Do you think the Government should get rid of Universal Credit? If so, what could they replace it with?**

In the short term the policies set out above would mitigate some of the worst impacts of Universal Credit, however the system itself has been shown to be so flawed we believe the Government should pause the roll out of Universal Credit and develop a social security system which:

Prevents poverty and improve life chances for all

- End destitution
- Ensure that those in poverty are able to - and facilitated to - move out of it
- Prevent poverty – not just relieve it
- Insofar as possible, provide stability, predictability and security of income during times of change as foundation for flourishing.
- Ensure that all adults have access to an independent income adequate to live with dignity and agency.
- Provide adequate levels of support for those with additional costs eg those associated with disability.
- Ensure all children are well supported to be able to thrive and participate equally in shaping their future
- Improve life chances in the long term and not just meet immediate needs
- Provide mutual insurance against risk

Whether or not this system is called something different or not is second to reforming it so that fulfils these basic compassionate principles:

A new Social Security or Universal Credit system should be designed in order to meet these aim. This requires recognising that individual interests may not coincide in a family, and that individual incomes therefore matter. In so far as is possible, this means that social security

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<sup>3</sup> WBG (2018) Universal Credit and Financial Abuse: exploring the links  
(<https://wbg.org.uk/analysis/reports/universal-credit-and-financial-abuse-exploring-the-links/>)

should be provided without a (family based) means test, so that the resources available to individuals are not dependent on the presence, actions and/or resources of other(s).

In particular, individuals live in many families over their life course. The design of the system should not allow or encourage the long-term prospects of any individuals to be subordinated to the immediate needs of their current family. For example, the social security system should ensure that the long-term employment prospects of women are not put in conflict with the immediate income needs of their families. Nor should it tie social security rights to family form.

Meeting these aims also requires that the social security system encourages more equal sharing of caring and employment roles within families. It should recognise the value of unpaid work, without reinforcing or exacerbating the current gendered division of labour. No policy should rely on just one individual having to be the main carer or the main earner in a family

Means testing is usually done on household income which forces partners into mutual financial dependence and particularly affects women, who are likely to be the lower earner in couples, reducing their gains to employment, and sometimes making it not worthwhile to take employment and thus increasing their dependence on their partner. The Women's Budget Group would therefore recommend that we move towards a social security system based as far as possible on non-means-tested benefits. It is particularly important that benefits that are designed to pay for additional costs, such as those for children and disability, are not means-tested. This is because, the purposes of social security are far wider than just the relief of poverty after it has already affected people. As well as preventing poverty, the social security system also needs to be a means of mutual sharing of risks to livelihoods, compensating people for additional costs (such as children or disability related), and ensuring that individuals have access to an alternative source of income, so as to be able to refuse degrading forms of employment.

The social security system should be designed to ensure that it does not impede movement into and out of different types of employment that suit people at different stages of their lives, in particular when taking caring breaks. It should recognise that many people, mostly women, have employment histories interrupted by caring breaks and ensure that this does not lead to poverty in old age.

With this in mind, a system to replace or amend Universal Credit ought to include non-means tested separate payments of different benefits for different things paid in a frequency defined by the claimant.

### **3. How can the welfare benefits system better support people who sick or disabled?**

The social security system should provide for the needs of those who cannot work due to sickness or disability. There are about 14 million disabled people living in the UK. 23% of all adults and 8% of children have a disability; 20% of men and 23% of women are disabled. Overall, 36% of households in the UK had a disabled person in 2016.

Disabled people still have lower employment prospects than non-disabled people. This, along with the additional costs of being disabled means that they are also at a higher risk of poverty. The IFS found for example that people aged 25-54 with a long-standing illness are 50% more likely to live in poverty than those without<sup>4</sup>. The support they receive from social security benefits is crucial to meet additional daily expenses and live with dignity.

The Women's Budget Group, has calculated the 2010-2021 cumulative impact of tax and benefit changes on households' net income by the presence of a disabled child or adult: the shift from legacy benefits to UC will have a particular negative impact on households with children that have a disabled adult. UC-entitled households with non-disabled children but with a disabled adult stand to lose an additional £1,300 per annum by 2021 when migrated into UC, and those with both a disabled child and a disabled adult an additional £3,000. This contrasts to a net additional gain of £300 for UC-entitled households with children where no one is disabled.

The social security safety net for many disabled people has been weakened by spending cuts since 2010. In 2018, the Council of Europe concluded that the UK does not conform to the right to social security under the European Social Charter because levels of statutory sick pay, minimum Employment and Support Allowance (ESA) and long-term incapacity and unemployment entitlements are lower than 40% of the median income. Although the current four-year freeze on working-age benefits did not extend to disability benefits, multiple changes since 2010 reduced the generosity and the scope of these benefits through a combination of changes to uprating and to eligibility conditions. Women are hit both as claimants and as carers. 55% of PIP claimants are women and 58% of carers are women (60% among those caring for more than 50 hours per week). The system must do better to support people who are sick, disabled or caring for disabled people.

Firstly, the changes to the help for disabled people in employment through Universal Credit have been particularly detrimental to their efforts to gain paid work (because the work allowance can only be accessed through a work capability assessment which assesses incapacity to work, and because it gives less support than tax credits do); these changes should be abandoned, and more generous and constructive financial support given instead. Additionally, internet access is a primary concern for disabled people as they are four times more likely than non-disabled persons to be offline so moving social security online has created problems for making and maintaining claims. Better support is needed for people in both making and maintaining claims and, online services should not entirely replace face-to-face interactions which are important to, particularly disabled people's, access to the social security system.

In order to meet the UN recommendations of guaranteeing human rights for all, the government should provide greater financial support to disabled people to achieve adequate living standards, including support towards additional costs, as well as access to decent employment for those who can work and to high quality social care services.

#### **4. How should the system work out who should get sickness or disability benefits?**

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<sup>4</sup> 4 IFS (2018) Living standards, poverty and inequality in the UK: 2018 (<http://bit.ly/2Eg8qk7>) p 59

Eligibility for sickness or disability benefits should be assessed by the medical practitioner who knows the needs of disabled person best, whether a GP or specialist consultant. Targets to reduce the number of people on out of work disability benefit should focus on overcoming workplace barriers rather than on cuts to the numbers entitled to benefits.

We would also emphasise the need to consider interdependence of care structures and consider that due to their higher vulnerability, disabled women experience domestic abuse at double the rate of non-disabled women. During their lifetime, one in two disabled women experiences domestic violence in the UK, while one in four women overall does. This means that there is even more of an imperative to split payments and reduce the risk of economic dependence or financial abuse.

The design of social security benefits for disabled people should be developed in consultation with disabled people.

**5. Should there be a certain amount of money that anyone can get if they are struggling and how could this be done?**

The social security system should protect people against poverty; assessment of the amount of money this entails ought to be based on need.

No one should be left destitute: the punitive sanctions system should be ended.

Any recalculations of the amount of social security people have access to should take into account access to and availability of public services. In other words, if someone has to pay for essential needs out of their income, rather than this being provided free of charge as a public service, this should be recognised. It also ought to recognise the problems of in-work poverty and market failures: due to rising housing, food, fuel and other living costs, work often does not provide enough for people to live off. Addressing this problem requires a genuine living wage, access to affordable housing and public services that enable people to work as well as social security.

**6. How should benefits rates be worked out and how much should each benefit be?**

Benefit rates ought to be calculated per individual based on a needs-based assessment which fulfils the principles we have outlined in previous questions. The current benefit freeze and arbitrary limits do not fulfil these principles or keep people from destitution. Any recalculation of Universal Credit or Social Security must:

- Treat people with dignity and respect and ensure that they receive their rights;
- Avoid creating or exacerbating any stigma related to being in receipt of social security payments;
- Ensure process is transparent;
- Ensure a meaningful right of appeal against decisions, including right to legal advice and advocacy;

- Payments for individuals should be made to the individual who qualifies (eg for additional costs of disability). Payments for children should be made to those who actually meet those children's day to day needs;
- Payments for joint expenses should go to whoever will use them to the end they are intended eg payments for rent should go to whoever pays the rent (or landlord if preferred);
- The social security system should be efficient. Processing of social security claims should be as swift as possible. No one should suffer unnecessary delays in receiving payments because of failures in the system or in other parts of government (for example in the processing of immigration and asylum cases)
- Changes to the social security system should be evidence based, subject to meaningful equality impact assessment, monitored for impact and amended if necessary

## **7. What should be done about benefit sanctions?**

It is important that people are treated with dignity and respect by the social security system. Sanctions undermine this. The harshness of the current sanctions system is counterproductive, as well as cruel (e.g. lasting even when people have started to fulfil conditionality again). We welcome the recent decision to reduce the maximum length of sanctions from 3 years to 6 months, but this does not go far enough.

If benefits for those out of work are to remain conditional, there needs to be some system for backing up conditionality. Co-production involving benefit claimants should be key to the redesign of this system.

An important issue in designing conditionality systems, including any appropriate sanctions, is how to take account of caring responsibilities. Currently, for example, in Universal Credit, one partner in couples is named as the lead carer and therefore treated as though they are a lone parent, with modifications to their conditionality, if they have children of certain ages; their partner is treated as though they do not have children at all, and usually has to look for work for 35 hours per week. This is not conducive to the kind of sharing of parenting that would promote better outcomes for children and reduce gender inequalities, which other government policies are actively encouraging. There needs to be a much more flexible attitude to taking caring responsibilities into account, and the easements for those with children and/or with others to care for should be in statute (rather than, as they are now, in guidance).

The sanctions system, by forcing people into whatever employment they can find, enables employers to reduce working conditions and treat workers badly. It also relieves employers of the pressure of having to raise productivity to improve working conditions. This means that any plans to tackle labour market insecurity and improve productivity need to include an end to sanctions. People should be encouraged and given help to train or find employment or other worthwhile activity when appropriate because it is good both for them and for society that they should do so. However, this is quite different from a system of sanctions that seems to be designed to try to catch people out, and so does nothing to help them find suitable employment or train for the future.

Many women report that they may find it helpful to discuss their plans with the work coach at the Jobcentre, but that there is often insufficient support, in particular for training or further education. The UK's 'work first' approach is particularly unhelpful for women returning to the labour market following a period of caring, who may need or wish to change direction. There is now more policy focus on women in low-paid and low-skilled roles, and on women returners; but there needs to be more funding for lifelong learning in particular to fulfil many women returners' aspirations.

**8. What ideas and suggestions do you have for changes to these or other welfare benefits?**

People don't only need income, they also need care. The social security system should also work to share the costs of care for those who need it across the whole of society and across women. Social security works in combination with other parts of the social protection system, including public services, and needs to be evaluated as part of that system as a whole and the taxation system that funds it, including for equality impact.

**9. Are there any other changes you think should be made to the benefits system?**

The Women's Budget Group recognises the need to dramatically repair, restore and expand the social security system from the damage done since 2010 as fundamental to the work of the government. It is this area of work, in partnership with investment in public services, that holds the most potential for improving on gender equality particularly for BAME, economically disadvantaged and disabled women. The major mechanical changes we would like to see are listed in our answer to question 1.

**10. If any of your ideas would need more government spending, how might they make this happen?**

The social security system needs to be adequately funded. This is at its heart a question of political will. It is clear from international and historical experience that social security systems are more likely to receive public support and be well-funded when people as a whole feel that they have a stake in the system and that benefits are relevant to everyone, rather than 'us' paying for 'them'. We need to ensure willingness to pay for a more generous social security system by making benefits relevant to the population as a whole. This will, however, be in tension with the need to make good the drastic cuts to benefits for those on the lowest incomes - unless a large enough investment is made in the social security system. This is a difficult but not insurmountable challenge.

At least some of the costs of the social security system should be seen as an investment in the future. This will involve changing the discourse on social security. They will need to be paid for by general taxation. The coalition and Conservative governments successively raised the personal tax allowance and higher rate thresholds, rendering income tax, the fairest and most redistributive tax we have, far less effective in raising revenue. By 2020, £19bn of revenue will be given away annually by those rises with no benefit to those who earn below these



thresholds, most of whom are women<sup>5</sup>. This policy of cutting income tax needs to be reversed. Improvements in social security and/or public services could also be paid for by new taxes, for example, on wealth, as exist in many other European countries.

As far as funding goes, the WBG suggest a a review of the tax and social protection (social security and public services) systems *together*. Such a review should:

- First, recognise that a large proportion of our standard of living comes from public services and therefore the need for social security benefits depends on access to and the quality of public services. Some services are better provided collectively rather than bought by individuals on the market. In many cases, there are good reasons for providing universal high-quality public services, including care services, rather than social security benefits.
- Second, investigate how much of social protection should be seen and funded as an investment (by at the very least calculating the long-term costs of not having such social protection).
- Recognise that public services and the remaining cost of social security would have to be paid for by progressive taxation.

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The Women's Budget Group (WBG) is an independent network of leading academic researchers, policy experts and campaigners. We produce robust analysis and aim to influence the people making policy. We also work to build the knowledge and confidence of others to talk about feminist economics by offering training and creating accessible resources. The Women's Budget Group is independent and not-for-profit.

Written by: Jenna Norman, Public Affairs Officer, UK Women's Budget Group

Contact: [jenna.norman@wbg.org.uk](mailto:jenna.norman@wbg.org.uk)

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<sup>5</sup> See 2018 WBG Briefing: Tax and Gender <https://wbg.org.uk/analysis/2018-wbg-briefing-tax-and-gender/>