

For the benefit of all? Implementation and challenges of Universal Credit

London Catalyst, AGM

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July 2018

@resfoundation @davidfinchrf



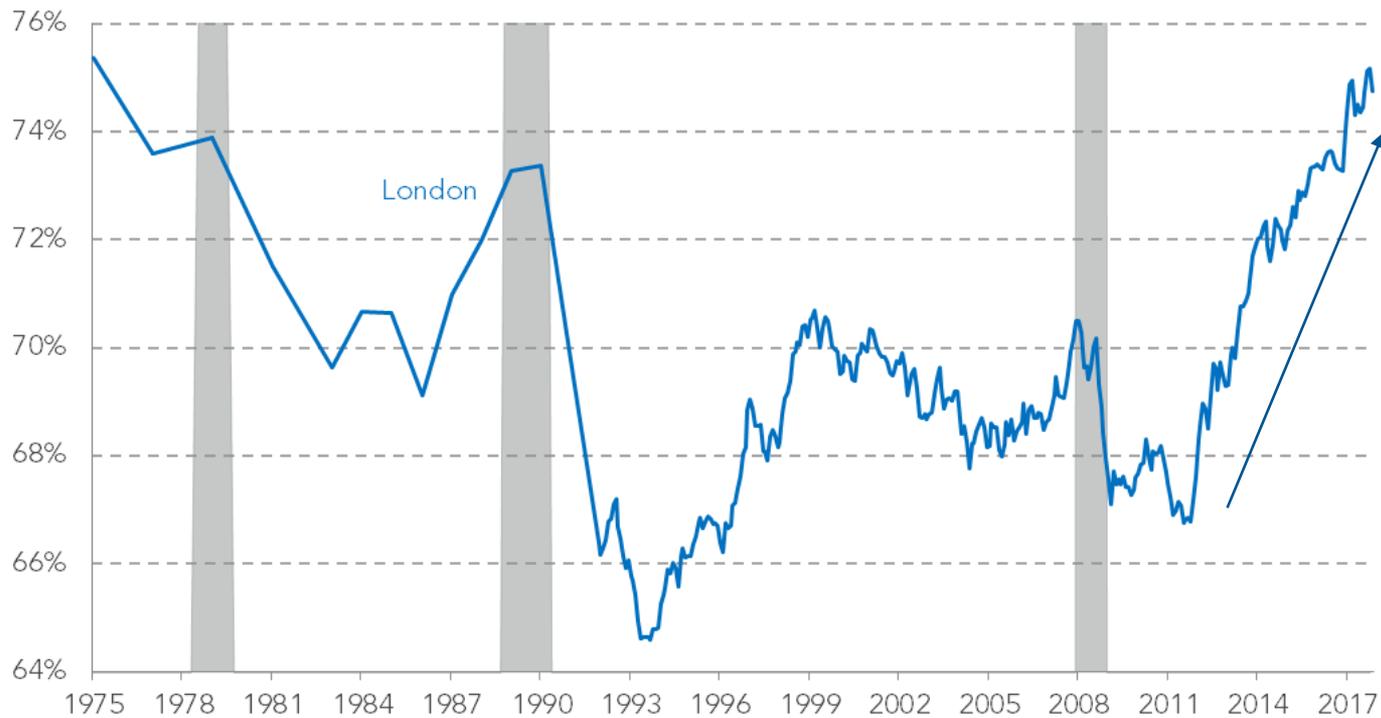
- London's living standards
- Universal Credit
 - Supporting living standards
 - Supporting people's lives



LONDON'S LIVING STANDARDS

Strong employment growth in London since the downturn

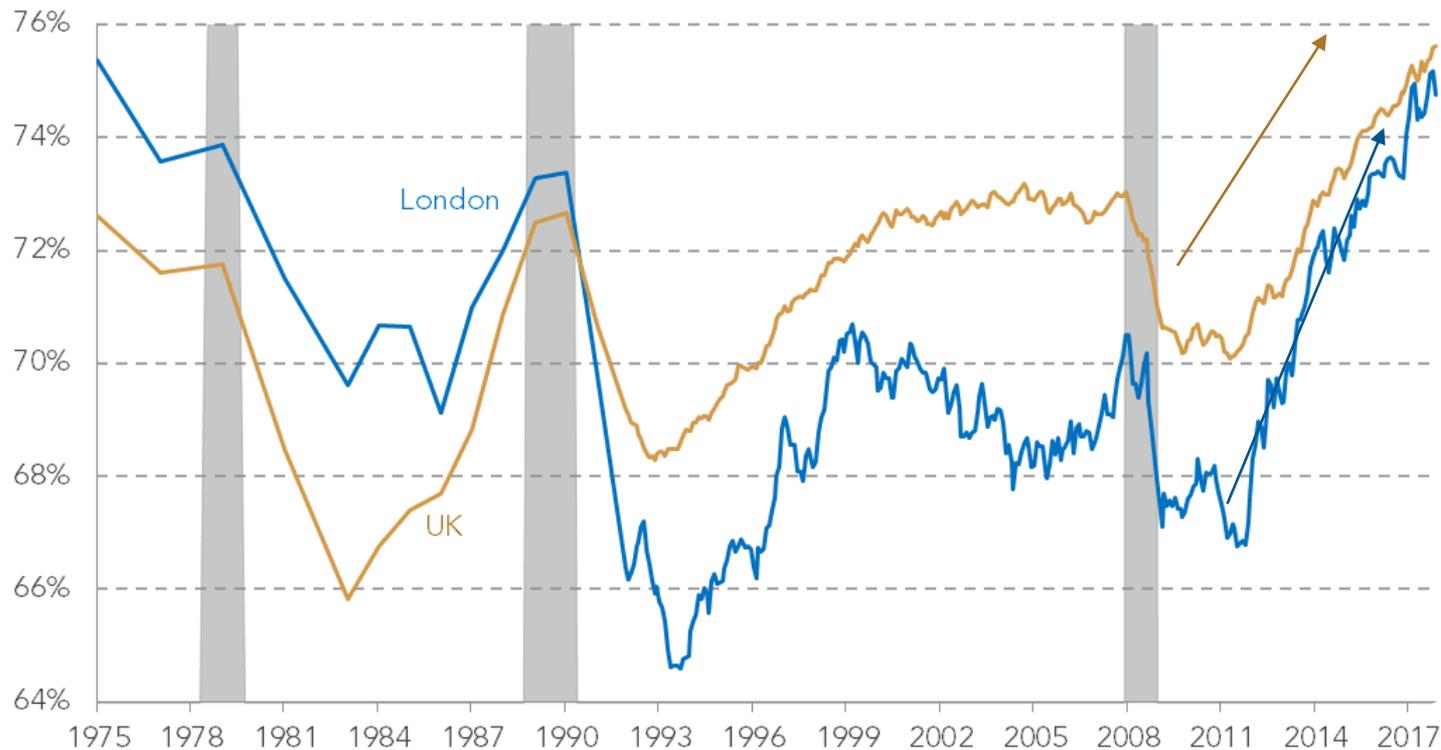
Employment rate



RF analysis of ONS, LFS

So much so that London's employment rate has caught up with the UK's

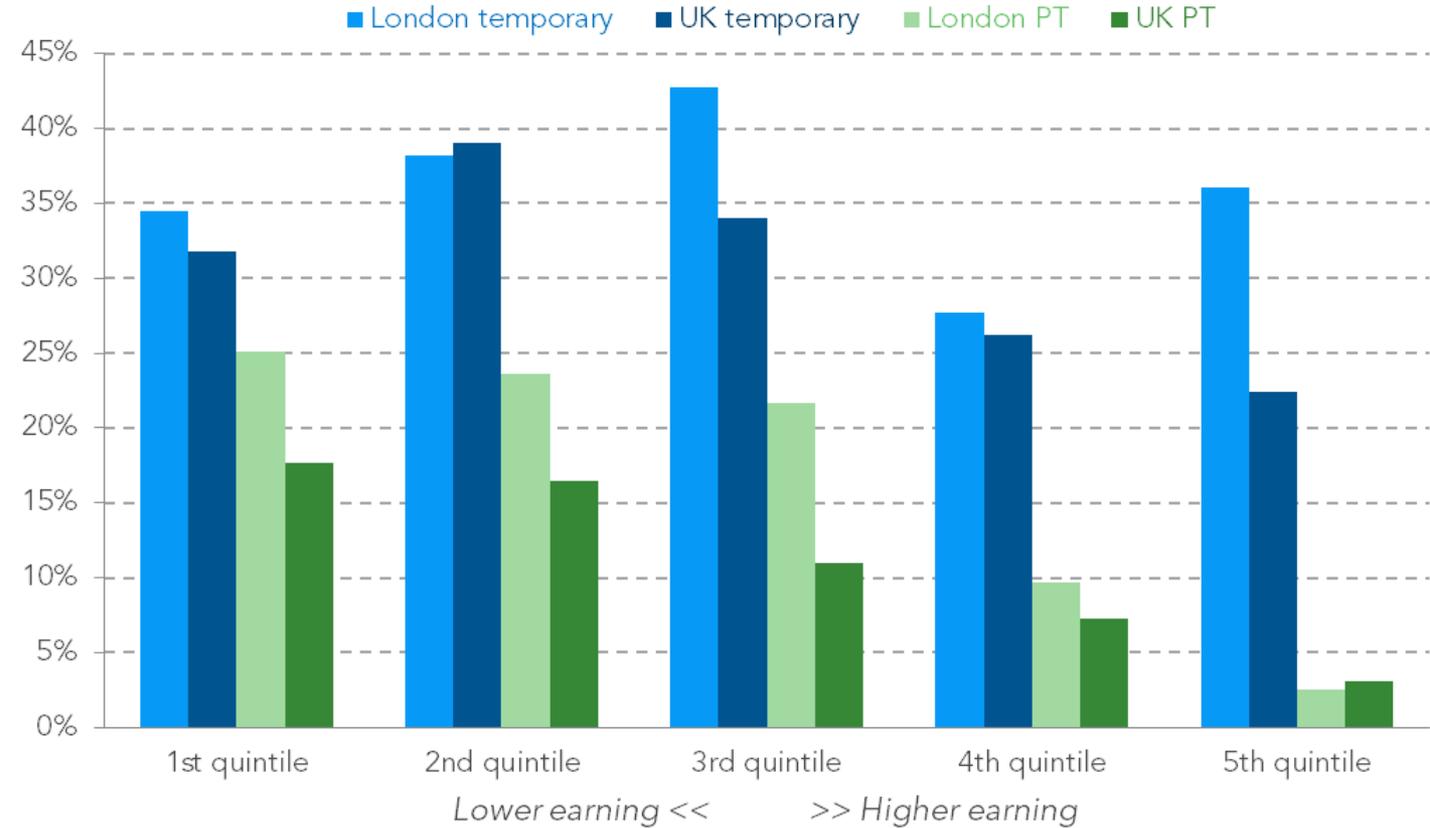
Employment rate



RF analysis of ONS, LFS

Despite growth in full-time employment insecure work is still prominent

'Involuntary' part-time and temporary working in London and UK: 2016





London has experienced a pronounced wage squeeze

Change in median hourly pay since the financial crisis

	UK	London
Overall	-3.9%	-7.3%

RF analysis of ONS, ASHE



Yet this is not because of the wages of those in continuous employment

Change in median hourly pay since the financial crisis

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Overall	-3.9%	-7.3%
Staying in work	1.1%	5.0%

RF analysis of ONS, ASHE

But because of people moving into work

Change in median hourly pay since the financial crisis

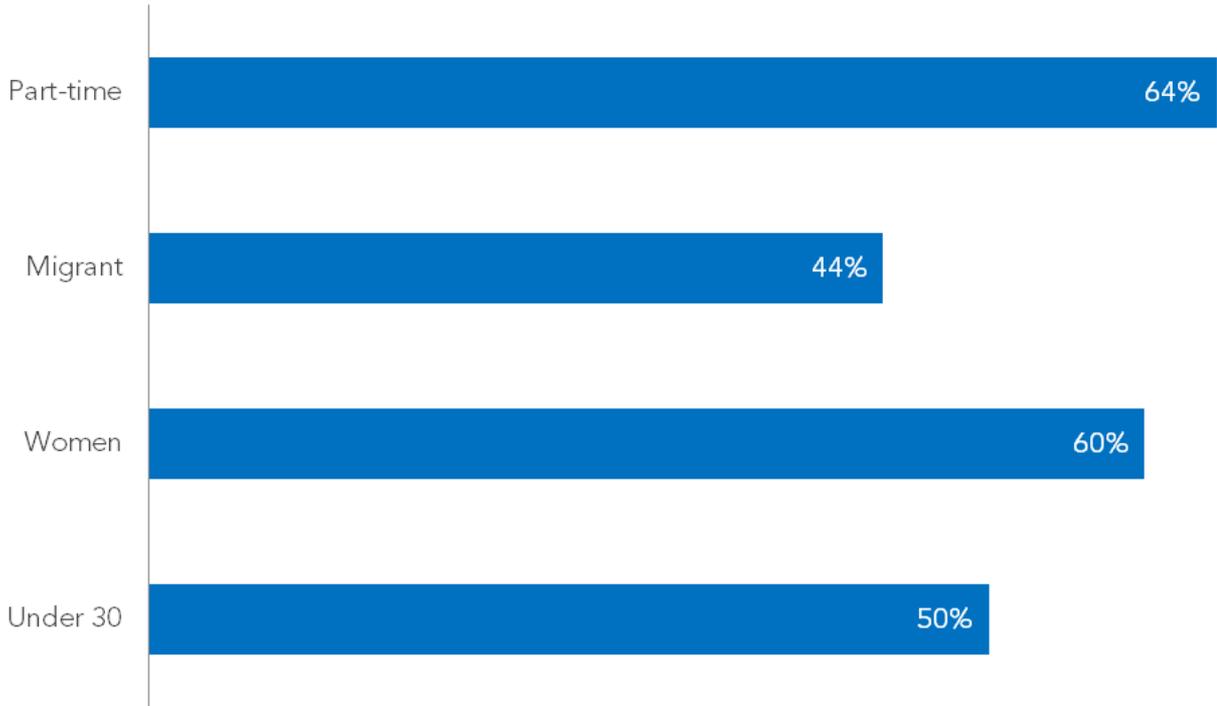
	UK	London
Overall	-3.9%	-7.3%
Staying in work	1.1%	5.0%
New starters	-11.7%	-19.4%

RF analysis of ONS, ASHE



Who tend to be female, young, born outside the UK, and work part-time

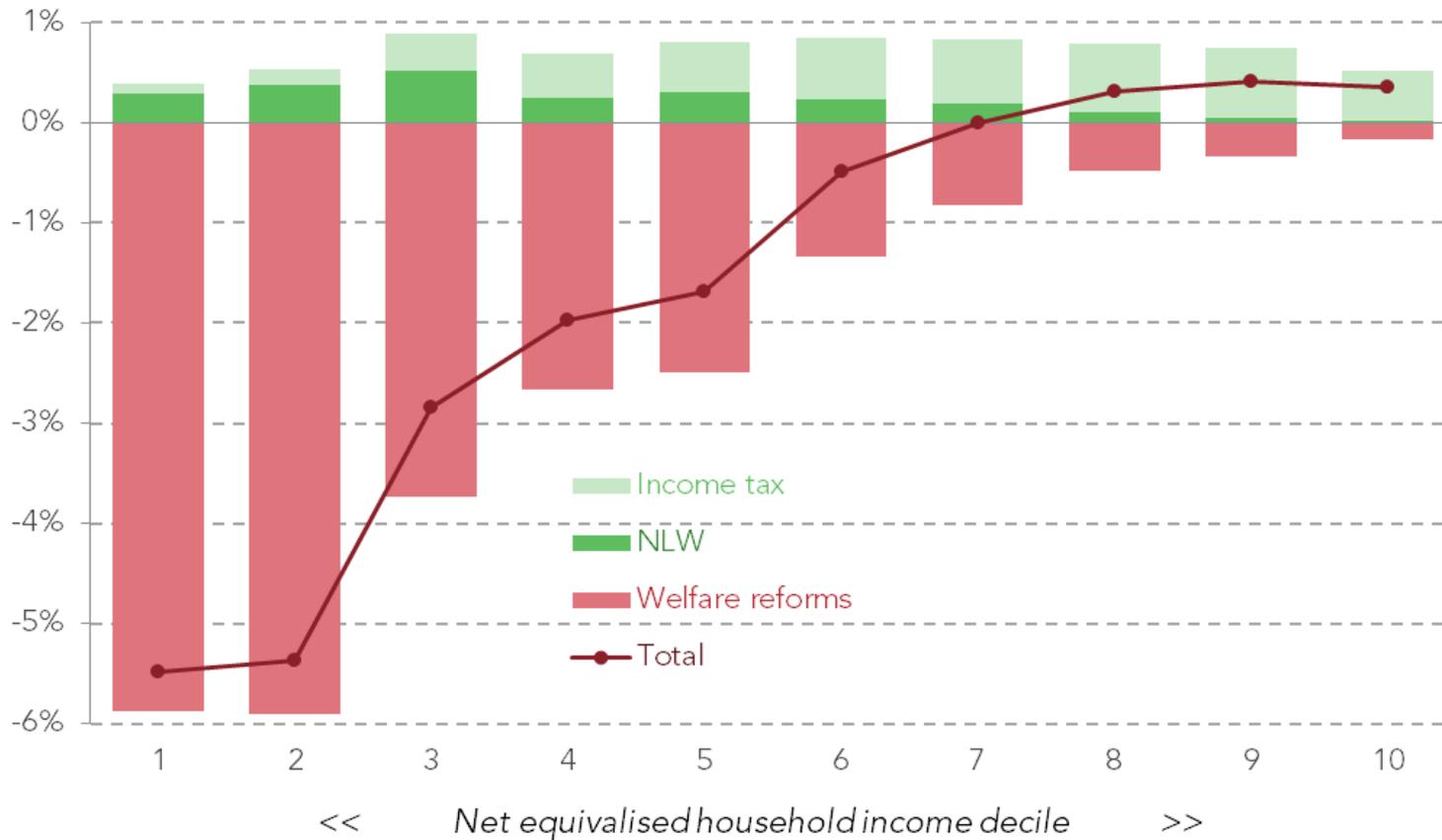
New entrants to the labour market (London): 2016



RF analysis of ONS, LFS

Tax and benefit policy changes are set to widen inequality

Average annual proportional change in real weekly household income as a result of NLW, tax and welfare changes: London 2015-16 – 2021-22





UNIVERSAL CREDIT: SUPPORTING LIVING STANDARDS?



Universal Credit (UC) is replacing six existing working-age benefits

Income support

Largely non-working parents of young children

Jobseeker's allowance

Support for unemployed people actively seeking a job

Employment & support allowance

Support for those who can't work due to disability

Housing benefit

Help for renters on low incomes

Child tax credit

Means-tested support for parents

Working tax credit

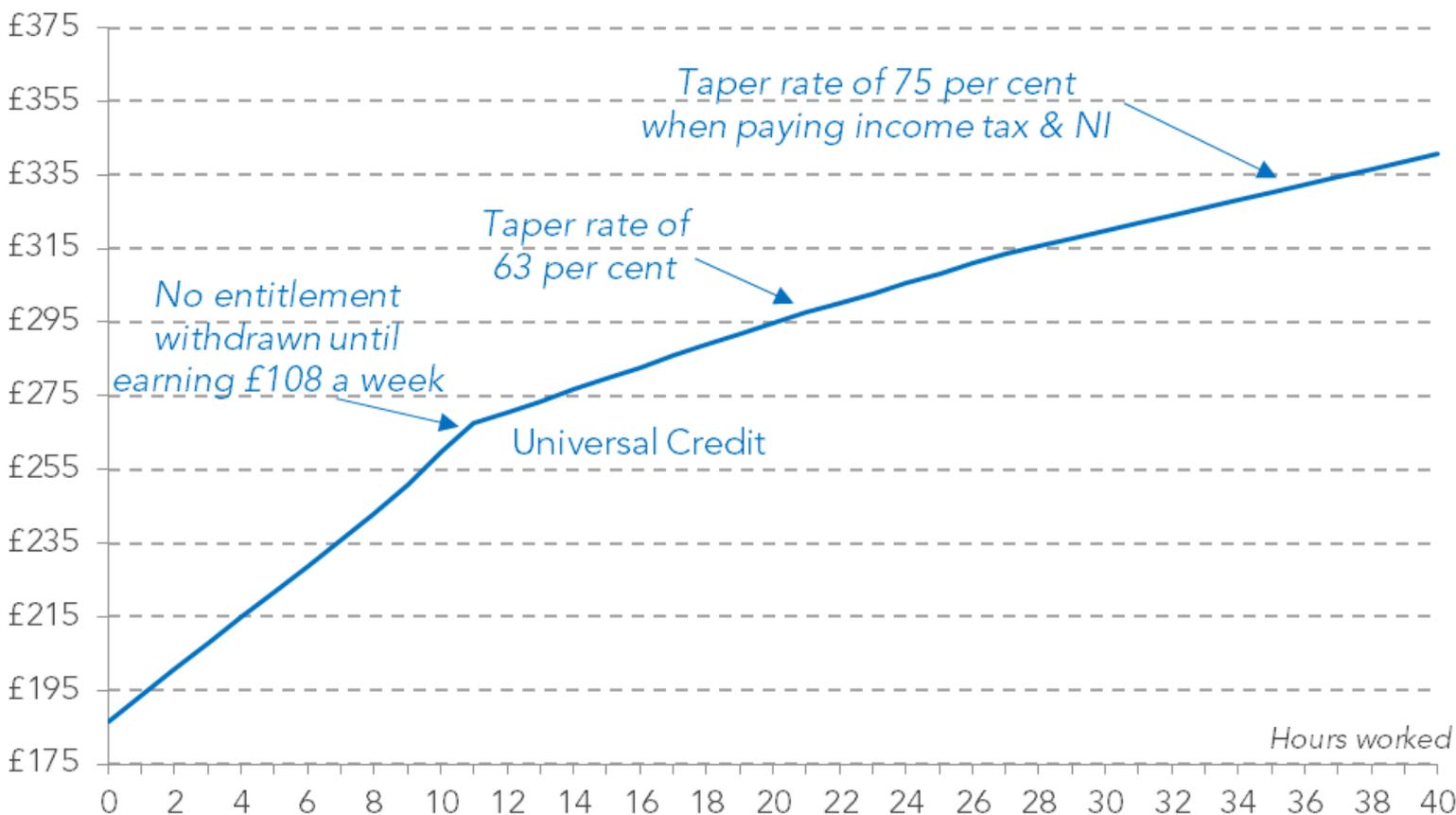
Additional support for low earning workers



UNIVERSAL CREDIT

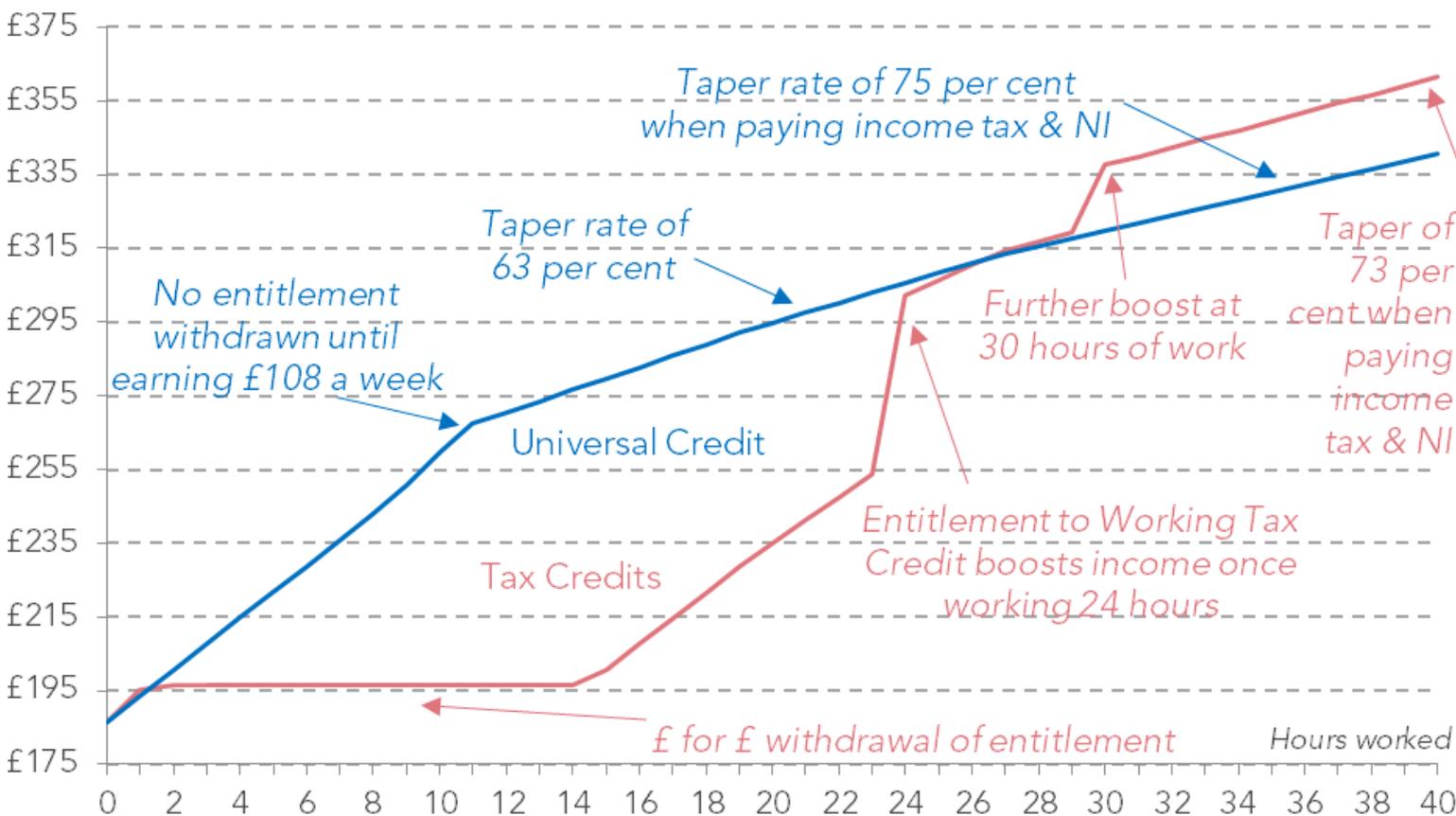
UC will simplify things relative to the existing regime

Net weekly income with increasing hours of work: couple with one child, single earner at minimum wage (2020)



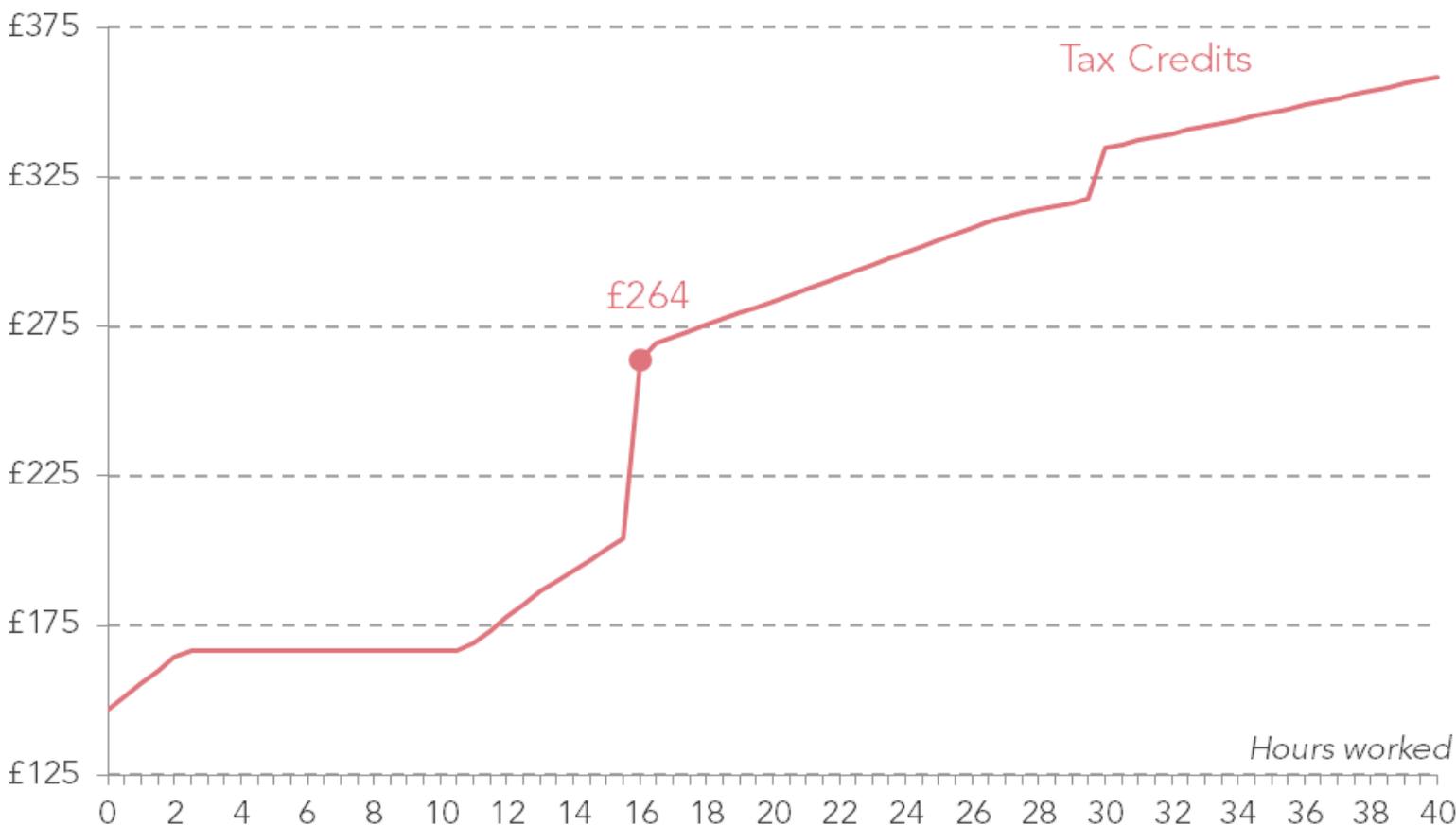
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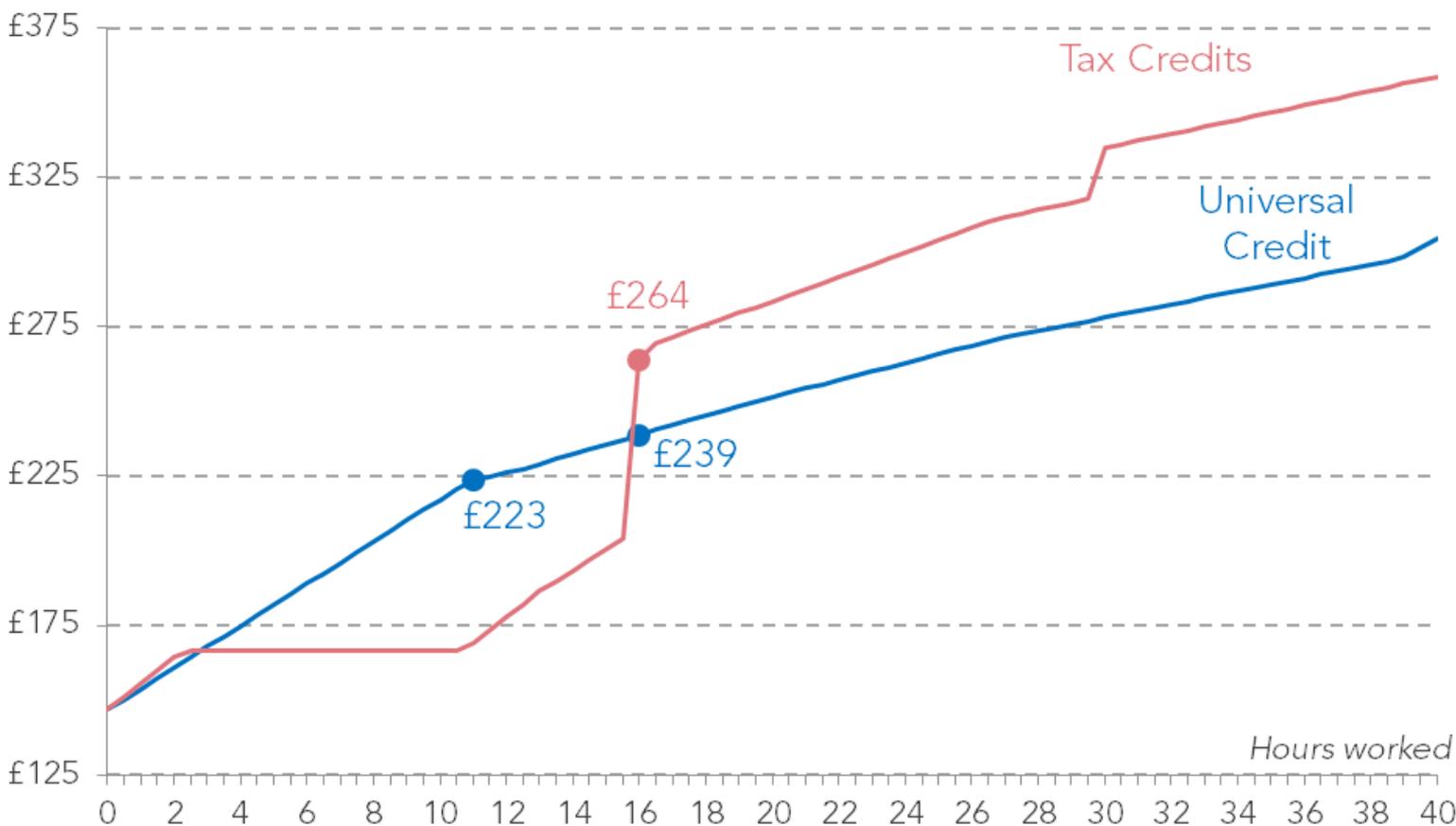
But it will incentivise shorter working hours for some

Net weekly income with increasing hours of work: single parent, minimum wage, homeowner, one child



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Net weekly income with increasing hours of work: single parent, minimum wage, homeowner, one child

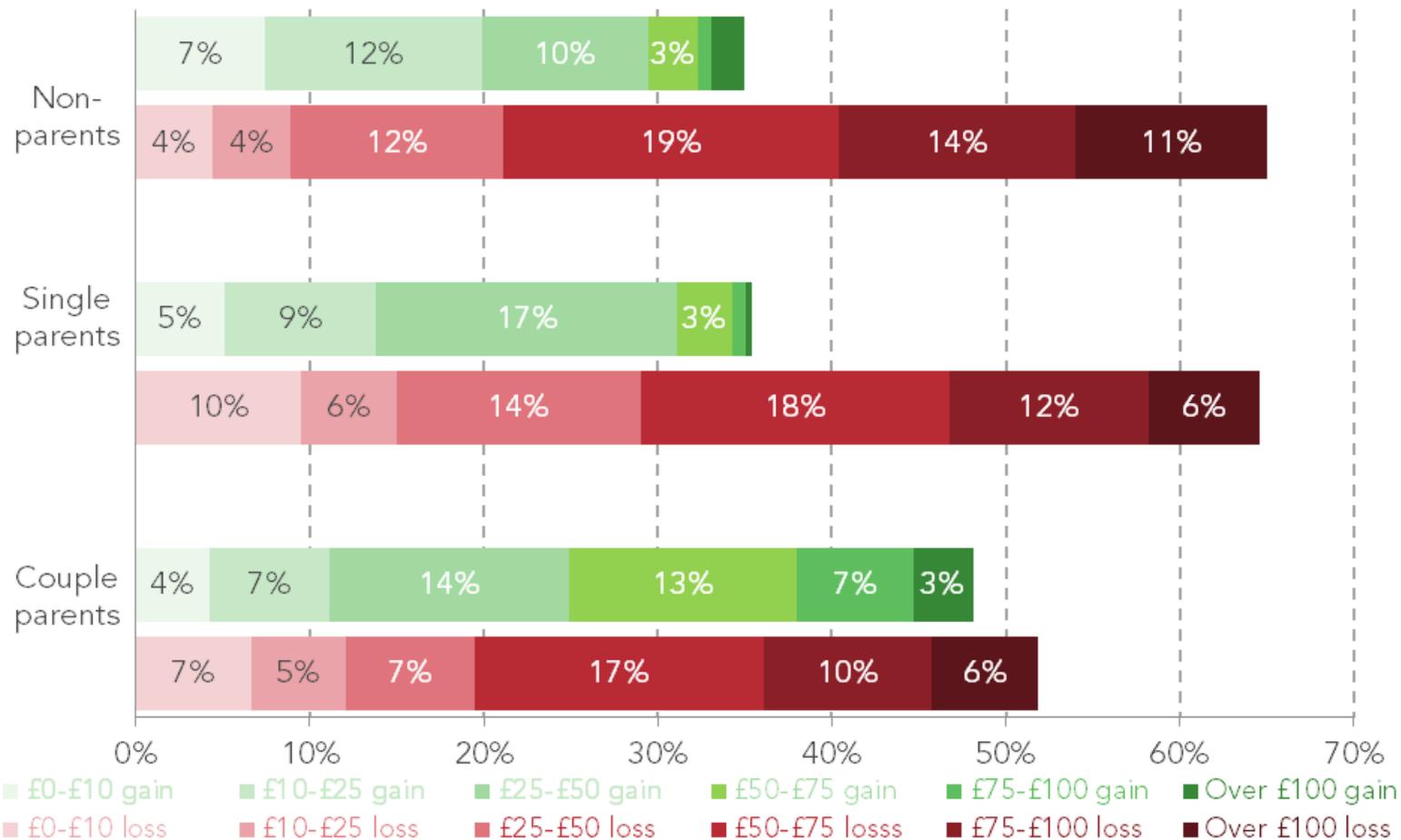


In-work conditionality is an opportunity but is limited in scope and brings risks

- Earn equivalent of 35 hours a week at wage floor (now up to £252 a week)
- Reduced hours for main carer of child age 3 to 13 to fit with school/childcare hours
- No in-work requirements for:
 - Main carer with youngest child under 3 (but 16 hrs expected if in work)
 - Full-time carer of severely disabled person
 - People with work-related activity limiting illness/disability
- Couples share their combined earnings requirements

A change in generosity of UC: More working families will lose than gain

Distribution of gains and losses for working families as a share of family type





UNIVERSAL CREDIT: SUPPORTING PEOPLE'S LIVES

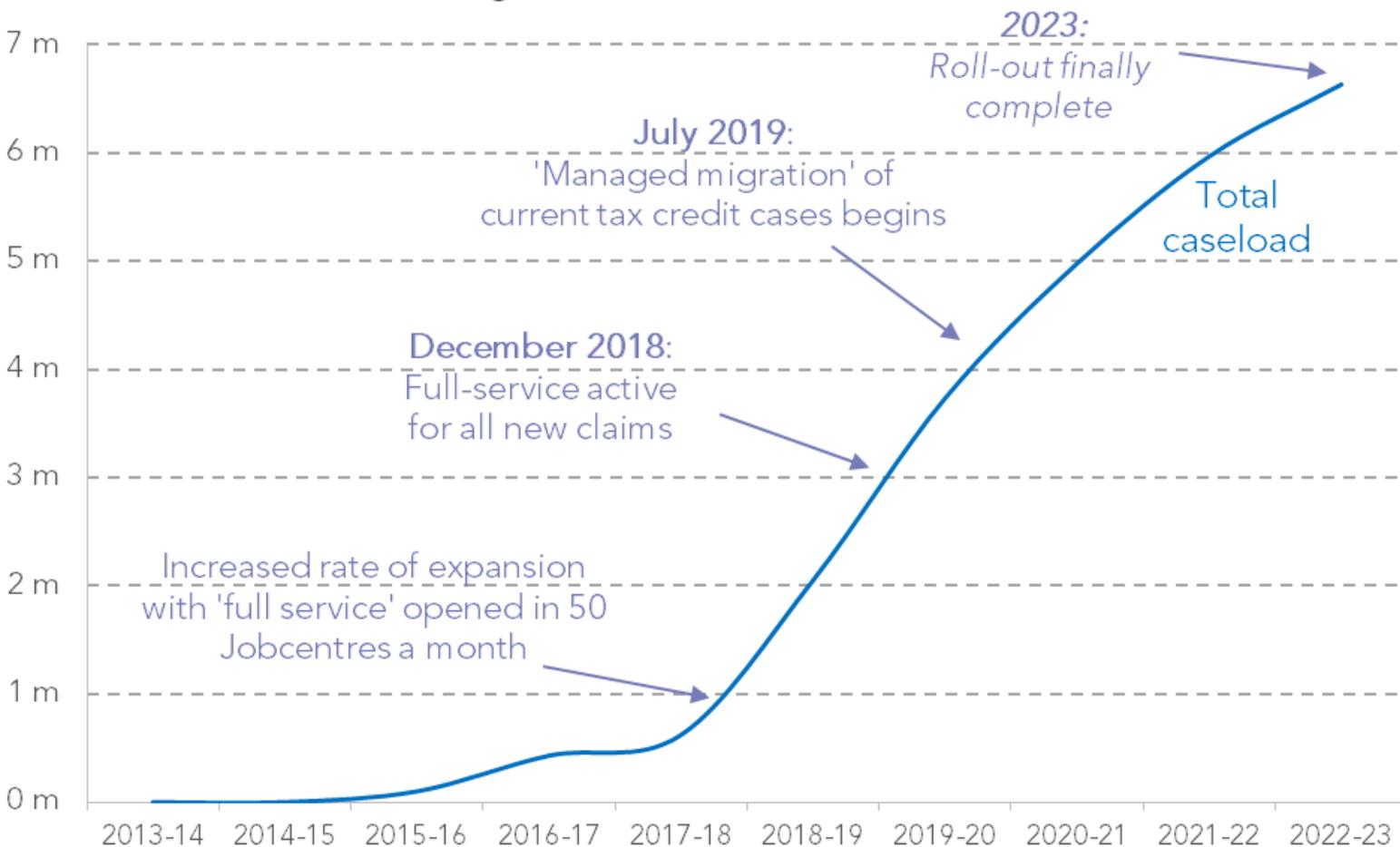


The logistics can be just as important as the award amounts for many people

- Single monthly payment
- Joint claims in a couple
- Paid one month in arrears plus days to process payment
- Self-employed subject to 'minimum income floor'
- Support with childcare costs claimed once paid out

Roll out delays criticised, but sensible given problems. Next big test comes when current caseload is migrated

Number of families receiving Universal Credit





The reform remains good in theory

- Simpler to navigate and simpler to understand
- Likely to improve take-up of benefits
- Principle of always being better off in work and if increasing earnings



The reform remains good in theory, but difficult in practice

- Roll out delays have undermined trust in the system
- Payment delays and practical problems have caused real hardship
- It's in danger of tackling the wrong problem
- Completely undermined by wider 'austerity' cuts in benefit spending



We recommend fixing UC, rather than scrapping it

- Improve incentives for second earners by introducing a new work allowance
- Make use of the continued engagement with JCP to boost progression at work
- Increase spend to restore generosity and smooth out implementation issues
- Longer-term, lower the taper rate and increase childcare support

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