Inflexibility in an integrated system?
Policy challenges posed by the design of Universal Credit

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Abstract

Just over a decade since the integration of six means-tested benefits and tax credits was proposed in the UK, to form Universal Credit, this critical analysis examines the barriers to reform built into its structure. Universal Credit was conceived to address ‘welfare dependency’ by modifying the attitudes and behaviour of claimants. This ideological imperative has shaped its design. We argue that core features of this integrated benefit system limit possible reforms to fulfil a range of potentially important policy goals. This rigidity is exacerbated by resistance to change resulting from automation. We conclude by arguing that the overwhelming focus on this mass means-tested benefit also diverts UK policy makers’ attention from wider social security issues of major importance.

Key words: Universal Credit, welfare reform, benefit integration, policy analysis

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Introduction and background

It is just over a decade since Universal Credit was proposed in the UK. Longstanding ideas about integrating tax and benefits, or merging benefits paid to different categories of claimants, were gaining interest in the 1990s (HC Social Security Select Committee, 1997; Meadows, 1997) and the 2000s (Sainsbury and Stanley, 2007; Mirrlees et al., 2007, chapter 5). An all-in-one means-tested benefit was developed by the Centre for Social Justice (Economic Dependency Working Group, 2009; CSJ, 2009), before the very similar Universal Credit was formally proposed by the Conservative-led Coalition Government in 2010 (DWP, 2010a; 2010b), with legislation passed in 2012. Roll-out started in 2013 and the current intention, after multiple delays, is for implementation to have been completed by all relevant claimants having been contacted by the end of 2024.¹

Universal Credit replaces six means-tested benefits and tax credits with one benefit for people under pension age in or out of work. It replaces Child Tax Credit, Working Tax Credit, income-based Jobseeker’s Allowance, income-related Employment and Support Allowance, Income Support and Housing Benefit (together known as the ‘legacy’ system). For most people, Universal Credit starts with an online claim, in which claimants must verify their identity and give details of their circumstances. Claimants, including some already in work, sign an individual ‘claimant commitment’ setting out work-related requirements. Universal Credit is assessed monthly and by default is paid monthly in arrears as a single household payment, into one designated bank account.

¹ As explained by the Secretary of State for Work and Pensions and the Permanent Secretary, Department for Work and Pensions, in oral evidence on 8 December 2021 to the Work and Pensions Select Committee: https://committees.parliament.uk/oralevidence/3168/pdf/
Universal Credit was conceived primarily to solve the fundamental problem, as defined by its creators, that the benefits and tax credits system did too little to promote employment, but rather encouraged a culture of ‘welfare dependency’, with claimants receiving state support with few obligations. The focus was thus on claimants’ attitudes and behaviour (e.g. see Duncan Smith, 2012). But the system was also seen as blameworthy, with too many benefits from too many bodies, too many and too high withdrawal rates and no coherent intent. Simplification was essential to achieve the behaviour change, and thus employment goals, envisaged (Duncan Smith, 2010; Sainsbury, 2014).²

This simplification would be achieved through integrating means-tested benefits and tax credits into one single ‘straightforward’ system (Sainsbury, 2014). A key belief was that the ‘legacy’ system deterred claimants from entering or increasing low hours work – for some, because of having to move from one benefit to another and, for others, because they only had a small disregard (amount of earnings ignored) and lost entitlement beyond a certain number of hours’ work per week. So means-tested help in and out of work must be amalgamated.

It was also argued that integration would facilitate higher take-up because of the all-in-one nature of Universal Credit and thereby reduce poverty. Claimants would find the process simpler, with one means test and only one administering authority. Administrative costs would be reduced, by combining assessments and also by automating the resulting calculation (DWP, 2010b, Annex 2). It was the ideological

² This was not an entirely new theme for reform of the social security system either, and Labour when in government had set up the Benefit Simplification Unit, amongst other initiatives to pursue this goal.
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impetus – promoting work and reducing ‘dependency’ - that propelled the creators of Universal Credit towards integrating support in and out of work (Duncan Smith, 2010). But it was the argument for simplification – achieved through unification - that gained much of the initial support for this major reform (Millar and Bennett, 2017).

Just over ten years on, what can be said about the impact of Universal Credit, and in particular what it means for the future shape of the social security system in the UK? We focus on the limits imposed by the integrated design of Universal Credit and argue that these not only reduce the options for tackling immediate problems inherent to Universal Credit but also make it difficult to achieve other important aims. We suggest in addition that the automation inherent in Universal Credit's operation increases policy makers’ resistance to change. We conclude by arguing that a disproportionate focus on Universal Credit also places severe constraints on the policy energy available to pursue wider social security goals of major importance.

Our analysis is based on a range of published sources, including reports from government and independent organisations, as well as academic articles. We draw on government announcements, ministerial speeches and parliamentary debates. Reports from Select Committees, evidence to these, and government responses, are important for understanding policy dynamics. We also consulted legal judgments and government evidence in judicial reviews and test cases.³

An iron cage? Limits to Universal Credit reform

For the architects of Universal Credit, flexibility and dynamism were seen as central characteristics of its design (Sainsbury, 2014). Recently, it has been described as a

³ The House of Commons library published a Universal Credit ‘reading list’ with many relevant sources (Steele, 2021); see also Hobson (2021)
'modern, flexible, personalised benefit [able to] respond effectively to changing economic conditions' (Quince, 2020), with an ‘agile design … based on constant iterative improvement’ (Work and Pensions Committee, 2021a, p6). Lord Freud, former minister for welfare reform, argues that in future ‘it would … be possible to optimise our welfare system’ (Freud, 2021, p299), because ‘the elements are controlled and understood …’, and because legislative powers exist to vary Universal Credit’s key parameters in trials (p300).

The evidence suggests, however, that claims such as these for Universal Credit’s flexibility are far from reality. It is true that some aspects have been changed. The founders of Universal Credit emphasised that the taper rate and work allowance could be varied according to priorities relating to labour market participation and progression (Freud, 2021, p300). The taper was reduced from 65 to 63 per cent; and the work allowance was first cut and restricted to specific groups (parents, and claimants with disabilities or health conditions limiting their employability), and then increased. Most recently, the 2021 Autumn Budget and Spending Review again reduced the taper rate, this time to 55 per cent, and increased the work allowance by £500 per year (HM Treasury, 2021), thus adding to incomes for those in work on Universal Credit, and drawing more into its ambit (Waters and Wernham, 2021). These various changes, however, seemed to have been motivated primarily by the pendulum politics of benefit cuts, rather than labour market policy priorities. (The 2021 reforms, for example, followed widespread cross-party criticism of the withdrawal of an uplift to the standard allowance of Universal Credit introduced during the Covid-19 pandemic.)

4 See Keen and Kennedy, 2016 for an overview, and Mackley and McInnes, 2021; Machin, 2021; and Harris et al., 2020 for changes in response to the COVID-19 pandemic
Other changes have been made in response to public and political pressure. ‘Alternative payment arrangements’ as exceptions to the default single monthly payment were introduced at an early stage, including paying help with housing costs to landlords, twice monthly payments and split payments between partners in couples. These are discretionary and by application in England and Wales, with more extensive and/or automatic provision of some options in Scotland and Northern Ireland. The seven-day waiting period imposed originally was abolished. A ‘five week wait’ remains between application and payment of the award, given the monthly nature of Universal Credit which necessitates assessment at the end of the first month, although an advance may be available to bridge this gap. The deduction rate and repayment period for such advances have also been reduced. Concern about punitive sanctions - reductions in benefit for failing to fulfil conditionality in one of various ways - resulted in their maximum length being reduced from three years to six months, and more recently the introduction of a more considered process before they are imposed (Webster, 2021).

Modifications were also introduced because of the COVID-19 pandemic, to make processes more manageable for Department for Work and Pensions (DWP) staff facing massively increased demand and to assist claimants facing economic stress. Many changes were therefore only temporary, including the ‘uplift’ (increase) to the standard allowance, and relaxation of the conditions for self-employed claimants. The additional help given to private tenants, however, was intended to be permanent. Procedural changes included waiving full identity checks (now being reintroduced, to combat fraud). Conditionality requirements were suspended temporarily and
reintroduced gradually; and some (not all) debt repayments stopped for several months.

However, none of these changes alters the basic structure and method of calculation of Universal Credit; and some were shaped, or limited, by the IT system. Thus, we focus here on the core features of the design of Universal Credit and explore the constraints on changing or amending these and what this means for the capacity of Universal Credit to meet wider policy goals. The distinction made by Powell (2002, p4) between intrinsic and extrinsic evaluation is relevant here – ‘the former examines progress against the government’s own stated aims, while the latter takes a broader perspective’.

The picture revealed by intrinsic evaluation of Universal Credit – in other words, its record in meeting its stated goals of increasing employment, improving take-up, and achieving administrative savings – is mixed, to say the least. Indeed, in key respects it has not proved possible to measure the performance of Universal Credit against these aims. First, the goal of increasing employment is difficult to evaluate, beyond initial reports about single claimants with simple circumstances (DWP, 2015), because the staged roll-out creates a lack of comparators (IFS, 2018) and because the factors which affect labour market outcomes are many and varied. Some evaluation of in-work progression did take place (DWP, 2018b) but full in-work conditionality and support are not yet in place. Second, there are as yet no official data to assess take-up of Universal Credit (NAO, 2018; 2020), so whether this is higher than under the legacy
system is unknown\(^5\) (in refreshed business case figures, the DWP assumes incomplete take-up by 10 per cent of households in the legacy system population moving to Universal Credit (Quince, 2021)). Third, the NAO (2018, para, 2.29) has concluded: ‘we cannot be certain that Universal Credit will ever be cheaper to administer than the benefits it replaces’, noting that no counterfactual existed (Reddaway, 2020, Q333). The Office for Budget Responsibility (2020, p.106) has also argued that ongoing implementation makes it increasingly difficult to interpret administrative spending data.\(^6\)

But our focus here is on extrinsic evaluation - on whether, and if so how, the design of Universal Credit reduces the options for meeting other important policy goals. In particular we explore the capacity of Universal Credit to provide security of income (as encapsulated in the words ‘social security’); to be shaped to meet the needs of groups with significant obstacles to employment (as agreed by recent governments of differing political persuasions); and to meet broader goals of gender equality and child welfare (as incorporated in human rights instruments to which the UK is committed). We seek to understand whether Universal Credit can provide a basis to meet such ‘valued criteria’ (McConnell, 2015, p227).\(^7\)

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\(^5\) Baumberg Geiger et al. (2021) estimate non-take-up of Universal Credit at the start of the COVID-19 pandemic. They acknowledge the difficulties but conclude: ‘this report demonstrates that it is possible to estimate take-up, even if … subject to caveats. The DWP should commit to regularly publishing take-up …’

\(^6\) The DWP, in publishing the ‘refreshed’ business case figures, suggests ‘stakeholders should clock’ that Universal Credit is now cheaper to administer than the benefits it replaces (Quince, 2021). But this comparison includes temporary easements introduced during the pandemic, with savings tapering off later, and is acknowledged to be reliant on many assumptions.

\(^7\) McConnell (2015) and McConnell et al. (2020) assess policy success or failure across three dimensions: the process of policy development; the politics of support/opposition; and whether the programme implementation meets policy goals, including both stated government aims and ‘other valued criteria’ relevant to the policy sector (McConnell, 2015, p227)
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policy development in these directions? Or is it an iron cage, with core features of its design and automated delivery imposing severe constraints on these ambitions?

**Constraints of Universal Credit design**

Universal Credit integrated means-tested benefits and tax credits in one benefit, claimed in one go and calculated in one process. This amalgamated system could be automated more easily and thus, it was argued, reduce fraud and error and save administrative costs (DWP, 2010b, Annex 2), as well as having advantages for claimants themselves. However, to be practicable, such a system required simple rules - ‘bright lines’, as these were described in one legal judgment (High Court, 2020, para. 37). As explained by Neil Couling, the leading civil servant for the introduction of Universal Credit (2018a, cited in Summers and Young, 2020), some core principles were therefore adopted, to create simple, clear sub-policies and processes. Simple rules may not sit well with complex lives and changing circumstances and may potentially create hardship (Millar, 2005). Here, however, we focus not on the immediate implications for benefit claimants - whether positive or negative, or a mix of both - but instead on the limits to policy reforms created by these ‘bright lines’.

From our analysis of published material we have identified two key areas of inflexibility integral to the structure of Universal Credit. These are, first, the operation of the (monthly) assessment period; and, second, the insistence on Universal Credit being an integrated ‘unitary concept’, with no component elements, and a single taper rate. In addition, we argue, the automated nature of the system increases resistance to change.
The (monthly) assessment period and calculation of Universal Credit

Universal Credit involves a repeated means test at the end of every month of a claim (‘assessment period’) (Work and Pensions Committee 2021a; CPAG, 2021), operated via an algorithm, with a rigid ‘cash flow-based’ calculation in relation to income (Norman, 2021) and an inflexible ‘whole month approach’ to needs. Neither feature would matter as much were the period shorter; but the main issue is not the length of the assessment period but how it works. Monthly assessment is behind the ‘five week wait’ for payment of the initial award; and the cash flow-based accounting underlies the income fluctuations causing budgeting problems for many. In addition, the rules on how changes of circumstances are taken into account mean that only 12 days in any year are important for Universal Credit, as the changed circumstances are applied to the whole of that month, rather than being applied pro rata. And claimants also get only a week’s notice of the amount of Universal Credit due in arrears for that month.

‘Legacy’ benefits largely involved weekly assessment, even if some were paid fortnightly in recent years. For tax credits, calculation was annual, with a preliminary award that was adjusted during the year or at year end (albeit with a significant disregard of additional income earned over the year). But Universal Credit assessment includes any earnings received in that month, regardless of the period to which they relate, and a month’s worth of any new circumstances (such as a baby’s birth or a lower rent), regardless of the date from which that change happens within that assessment period. The Government says that a ‘fundamental underpinning factor in the way that UC is built [is] for a payment to be calculated retrospectively based on real and verified information’ (Work and Pensions Committee, 2021a, p8). This design
was chosen in part in reaction to the estimation and consequent overpayments involved in the ‘legacy’ tax credits system.

The specific basis of a month was essential, according to the DWP, to integrate benefits in and out of work, and to match the commonest payment frequency of wages. ‘The rest of Universal Credit policy hangs off that starting position’ (Parker, 2018, p5), with the new benefit designed to ‘work with the grain of the lives of the majority’ (Couling, 2018a, p3). ‘With this system, we are one of the drivers of the way people behave’, said Lord Freud (in Parker, 2018, p7), thus clearly articulating as a minister the goal of changing claimant behaviour. ‘Real time information’ (RTI) about earnings from employers received via HM Revenue and Customs would avoid the overpayments associated with tax credits, saving £5.5 billion over ten years (Parker, 2018, p 5). Fraud and overpayments would also be avoided by requiring claimants to pay childcare costs upfront, reimbursed only at month’s end, rather than their being supported to meet these costs on the basis of estimates. The cash accounting and whole month approaches made the automation of Universal Credit feasible (Couling, 2018a, p6; Brown and Holborn, 2018, para 15).

The DWP believes that a responsive system, adjustable each month in relation to fluctuations in earnings, is crucial in order, on the one hand, to convey messages about incentives to work or to work more and, on the other, to provide support quickly if income falls. One policy goal which this design feature makes it hard to fulfil, however, is security of income, which research shows is crucial for claimants, especially families (Citizens Advice, 2018; Millar and Young, 2019). For those out of work on legacy benefits, weekly assessment – and perhaps less likelihood of change - made any element of ‘rough justice’ (Tucker and Norris, 2018) easier to accommodate. For households on tax credits with an earner, income stability was guaranteed for many,
for some months at least, by an award that usually stayed constant. But for Universal Credit, volatility of income is created by its design, combining as it does immediate responsiveness to changes in earnings received in one month’s assessment period (Couling, 2018a, p4) with arbitrary mismatches between resources and circumstances (Millar and Bennett, 2017).

The DWP says, first, that the wait necessitated by monthly assessment can be mitigated by advances, and run-ons help those previously on means-tested benefits. Secondly, it argues that weekly, fortnightly and four-weekly pay cycles fit into monthly assessment, but not vice versa. And lastly, monthly assessment and payment also help claimants to prepare for work, when they are most likely to be earning a monthly salary. So, the DWP says, this is the best option; any one system will work better for some, not all (Couling, 2018a, p 3); and - most controversially, perhaps – a system being unfair does not make it unlawful (Brown and Holborn, 2018, para. 14).

Challenges to this feature have concerned in particular the relationship of pay frequency to monthly assessment, given that the algorithm for the calculation of Universal Credit is based on actual earnings received, rather than averaging or attributing them (Parker, 2018). Different numbers of pay packets may be received within one assessment period; even monthly paid workers may have two months’ pay in the same period, due to being paid in advance because of upcoming bank holidays. This results in a lower Universal Credit award (or none at all). The following month’s award should be higher, but the cash flow problems caused can be significant for those balancing tight budgets. And, if no pay at all is counted in one assessment period, the work allowance for that month is lost and cannot be made up later; and/or a family
could be subject to the benefit cap (limiting the level of benefit income for many claimants ostensibly not working). These outcomes appear inconsistent with the overarching aims of Universal Credit, especially encouraging engagement in employment.

A legal judgment made in one test case meant that the DWP had to lay regulations in response to correct this ‘pay cycle effect’ (Meers, 2020; Maxwell, 2020). But these dealt only with the specific group affected - monthly paid workers who were sometimes paid two months’ pay in one monthly assessment period - thereby excluding those paid weekly, fortnightly or four-weekly. The Government also rejected a formula, proposed by Gareth Morgan, of Ferret Information Systems, to calculate a daily pay average, with minor adjustments of the award when necessary, to avoid the income volatility caused by monthly assessment. It suggested that this would be complex and cause under- or over-payments, ‘designed out’ in the current Universal Credit system (Parker, 2018). A minister confirmed recently that the Government has no plans to change assessment periods. Thus the requirements of automated assessment appeared to be over-riding the need of claimants for a secure income. Indeed, the DWP appealed against a judgment on a similar case regarding four-weekly paid employees (CPAG, 2020).

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8 See judicial review by Child Poverty Action Group on behalf of a single parent: https://cpag.org.uk/welfare-rights/legal-test-cases/current-test-cases/benefit-cap-and-those-paid-4-weekly
9 Known as the ‘Johnson’ case, though in fact involving four single parents: https://cpag.org.uk/welfare-rights/legal-test-cases/universal-credit-assessment-period-inflexibility
10 A regulation already allows for a one-off ‘mini’ assessment period in specific circumstances; but this only occurs once, to provide an earlier start to the award, but without disrupting the earlier and ongoing assessment periods. The Government implemented automatic reallocation to deal with the impact of receiving two payments of monthly earnings in one assessment period: https://www.theyworkforyou.com/wrans/?id=2021-02-09.151764.h&s=%27universal+credit%27
11 https://www.ferret.co.uk/
12 House of Commons Hansard, Written Answer, 6 December 2021
Universal Credit as a ‘unitary concept’

The second area of inflexibility concerns the unitary nature of Universal Credit. Although elements are separately identified within the award, the official position is that there are no specific components, because Universal Credit is a ‘unitary concept’ (Malthouse, 2018). As the DWP Permanent Secretary said (Schofield, 2019), ‘many … assume Universal Credit has elements and is effectively a wrapper around six benefits. It is not. It is … an integrated system of support’. One minister explained: ‘[by assessing income against the total award, rather than elements] we avoid the need for setting out complex rules and setting a priority order for rendering reductions in net entitlement with regard to earnings and income. This is a fundamental building block in the design …’ (Malthouse, 2018). Thus, elements cannot be ring-fenced or separated, and to do so would not reflect how Universal Credit is designed in legislation or operates in practice (Work and Pensions Committee, 2019). We argue here that this potentially creates serious obstacles to adjustments to suit the needs of different claimant groups and/or to satisfy other important policy objectives such as gender equality and children’s welfare.

There is some official acknowledgment that housing costs in particular create a problem in relation to this unitary concept. Universal Credit was intended to instil personal responsibility for budgeting,13 including claimants paying their rent themselves (as, it was argued, they would need to do in employment). However, the

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The single payment of Universal Credit was modified early on in its roll-out, due to social landlords’ concerns that discontinuing the payment of help with housing costs to them that was possible in housing benefit would cause more arrears and evictions. (Benefit for private rents could also be paid to landlords in certain cases, but this was less common.) Following experimentation in the form of demonstration projects (Hickman et al., 2014), these concerns resulted in the introduction of managed payments to landlords, as one of several ‘alternative payment arrangements’. The tenant or landlord can apply in certain circumstances to have support with housing costs paid to the landlord as a discretionary exceptional arrangement which should in principle be considered temporary. (In Scotland, this option is available to all tenants on Universal Credit after the first month’s assessment period.)

But the structural limitations of Universal Credit as an integrated benefit prevail: the payment to the landlord is prioritised; and all Universal Credit up to the total owed for housing costs is assumed to be being paid for that purpose. This is because the award itself is seen as unitary, even if payment is divided between different pots. Thus, what many consider an important aim, security of tenure for low-income claimants, is furthered - but by necessity with some distortion of the Universal Credit system, which the DWP is extremely reluctant to see extended.

One component of Universal Credit that therefore seems less amenable to change is the childcare costs element. Select Committees have expressed concern about the current arrangements and suggested reforms (e.g. Treasury Committee, 2018).

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15 Personal communications from Geoff Fimister and Sue Royston
Childcare providers often require payment in advance; but, because the calculation of Universal Credit takes place at the end of the month’s assessment period, compensation is only given in arrears to claimants at that stage. (Those entering employment may get an initial grant from the Flexible Support Fund, paid to the provider; but this is discretionary, is only available to those starting work, and is apparently not always known about.)

A legal judgment in the High Court branded the outcomes of this part of the Universal Credit system irrational and discriminatory (Leigh Day, 2021); but the DWP appealed to the Court of Appeal, which ruled in its favour, finding that while the ‘proof of payment’ rule does indirectly discriminate, the difference in treatment is justifiable and the rule is not irrational. The claimant has subsequently been refused permission to appeal to the Supreme Court. To concede seems impossible for the DWP whilst retaining the design of Universal Credit, with upfront payment, and reimbursement to claimants rather than to providers, a core principle according to the Government (Treasury Committee, 2018). Help with housing costs is sometimes paid separately direct to landlords, as described above; but the Government calls this a ‘different scenario’ (Work and Pensions Committee, 2019, paras. 16-17). The DWP refuses to pay parents for childcare costs in advance, arguing that it is promoting monthly budgeting (Work and Pensions Committee, 2019) and avoiding the fraud and error associated with tax credits (Tomlinson, 2018). And it says that introducing a separate scheme to help with childcare costs alongside Universal Credit instead would recreate the complexity that Universal Credit was designed to resolve.

Yet the policy creates havoc with many claimants’ finances and much hardship, with the risk of parents leaving employment or reducing working hours (Wood, 2021; Griffiths et al., 2022). This acts against the achievement of important goals such as security and stability of income, and avoidance of hardship, but also support for groups facing significant obstacles to employment – lone parents and ‘second earners’ in particular, who are most likely to need childcare provision. Regulations in Northern Ireland are being amended, to ignore grants for childcare costs in the first month of work in calculating Universal Credit. But this ‘work-around’ is therefore only able to succeed by a distortion of reality - that is, by pretending that no payment has been made. In addition, a parliamentary answer has made clear that it is not possible to separate out how much is paid in total in support of childcare costs via Universal Credit, because of the integrated nature of the award.

Another example of the idea of a unitary Universal Credit constraining the achievement of valued aims is resistance to the introduction of separate payments to partners in couples (Malthouse, 2018). The Government sees the single payment to the household, including couples, as ‘at the centre of the Universal Credit system’ (Malthouse, 2018). There is concern about the implications for some individuals, however, given that even joint accounts do not always guarantee equal access or control for both partners (Bennett and Sung, 2013, p711). Separate payments could

17 https://www.northernireland.gov.uk/news/minister-hargey-paves-way-upfront-childcare-costs (accessed 4.6.21); the Adviser Discretion Fund in Northern Ireland is the equivalent of the Flexible Support Fund in GB
18 House of Commons Hansard, 17 December 2021: https://www.theyworkforyou.com/wrans/?id=2021-12-14.92910.h&s=%27universal+credit%27#g92910.0. (The same was, however, also true of tax credits, which gave support for childcare costs as part of working tax credit paid to the ‘main carer’)
19 To avoid confusion, ‘separate payments’ refers here to a system in which partners would each get part of the Universal Credit award, probably by default, whereas ‘split payments’ refers to the current discretionary, temporary, exceptional arrangements
also perhaps facilitate withdrawing the money given to support children last, as in the
‘legacy’ system of tax credits, leaving the ‘main carer’ with some resources as other
household income increased. The White Paper on Universal Credit (DWP, 2010b) said
that the Government would explore how to pay support for children to the mother/main
carer, but there is no evidence to date of it having done this.

Separate payments to each partner are also relevant to cases of financial coercion. In
response to such concerns (e.g. Work and Pensions Committee, 2018), a ‘nudge’ to
pay the whole Universal Credit award to the main carer in couples was proposed and
implemented (Rudd, 2019). But this is not the same as paying support for children to
the main carer; and by definition it only applies to couples with children. Thus, both
gender equality and child welfare are arguably compromised by the single household
payment for couples. Yet the UK has signed up to the Convention on the Elimination
of All Forms of Discrimination against Women20 and to the UN Convention on the
Rights of the Child.21 And it has its own equality legislation about protected groups
including women22 and a commitment to act in the best interest of children.23

Currently, on a discretionary, temporary, exceptional basis, payment of Universal
Credit can be split between partners if necessary, typically in cases of domestic abuse
or financial mismanagement. (This was also possible in ‘legacy’ benefits.) In practice,
few such payments are made, even in Northern Ireland where the grounds for doing
this are wider. The Scottish Government is committed in principle to making separate

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payments to partners in couples more automatic (Howard and Bennett, 2020), but this depends on the IT operated by the DWP. One minister wrote that this ‘would be a fundamental change to the core design and code of our systems’ (Malthouse, 2018).

Thus, constraints on policy flexibility within Universal Credit are also experienced by the devolved administrations.

The Scottish Government has discussed calculating separate payments in two different ways: by individual entitlement; or by percentages. But the DWP Permanent Secretary wrote: ‘it is impossible for Universal Credit to deliver any form of split [separate] payments that reflect individual entitlements within a couple’ (Schofield, 2019). The DWP suggests that this would negate all the automation put into the payment system, via ‘auto pay’ and ‘auto calc’ (Couling, 2018b, Q534, Q536). At issue is the difference between the gross amount of Universal Credit and the actual award (taking account of income, work allowance, taper etc.), which is determined after deductions from the whole, rather than from any one element (Schofield, 2019). But to pay percentages to each partner is also problematic, says the DWP, as each couple could require different proportions, and this could change over time: ‘this approach does not lend itself to an automated solution’ (Malthouse, 2018). Such considerations also apply to the current system of discretionary split payments in exceptional cases – but priorities in those cases are likely to be clearer; and their manual operation does not threaten the automated calculation of Universal Credit in a high volume of cases, as separate payments would.24

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24 Split payments are intended to be considered last, after managed payments to landlords (if relevant) and more frequent payments of Universal Credit.
Universal Credit as a unitary concept also has implications for reductions in benefits – deductions, sanctions, and the benefit cap. Deductions are made for overpayments of benefits and tax credits and some other debts. Sanctions are imposed on claimants judged not to be job searching adequately etc. Both are calculated as a percentage of the standard allowance alone; but under Universal Credit, the sanction applies to the whole award, including elements for children etc. (Graven, 2021), because it is an integrated benefit. Thus, for example, whereas a Jobseeker’s Allowance claimant might have had their benefit claim stopped altogether, this is not possible for Universal Credit, because other elements of benefit remain payable even if the standard allowance is removed. Similarly, whilst the benefit cap used to limit housing benefit only, it now applies to the whole Universal Credit award. Lastly, integrated Universal Credit has consequences for advisors trying to assist claimants. It involves so much personal information that advisors must obtain explicit rather than implicit consent from claimants, making this a more time-consuming procedure that must be repeated for each issue on which an advisor is working (SSAC, 2020).

Finally, the single taper (withdrawal) rate is meant to convey a simple message to claimants about the financial advantages of work, or more work (Parker, 2018, p 6) - albeit compromised by excluding means-tested support with council tax liability, meaning that there is an additional withdrawal rate for some (Freud, 2021). One senior civil servant (Ward, 2019) said that the common taper rate could disadvantage lone parents, who are likely - with ‘second earners’ in couples - to be more sensitive to incentives for short hours work, and therefore would benefit from a lower rate (Judge and Slaughter, 2020). (Previously, lone parents moving on to tax credits at 16 hours’ work per week thereby moved to a reduced taper rate, and many ‘second earners’ had
lower withdrawal rates than under Universal Credit.) To vary the taper rate for these groups would fulfil the policy goal of assisting those with greater obstacles to labour market participation and progression. This would contribute to gender equality too, as these groups are primarily made up of women. Paradoxically, women and in particular mothers are relied on to deliver most of the additional working hours anticipated in the Universal Credit business plan (DWP, 2018a; Work and Pensions Committee, 2019). As discussed above, the problems with child care may also be creating barriers for women’s employment.

There has been some lobbying on the single taper rate, resulting in two reductions, but no variation by group has been introduced. In the Government’s view, with work allowances only given to certain groups already, ‘further alterations to the taper for specific claimant groups could complicate the intentionally simple design of Universal Credit and would not be deliverable without the risk of a negative impact on full service rollout and managed migration …’ (DWP, 2018c). It is unclear from this whether the Government is denying the feasibility of this option completely; but it is certainly stating that this would contradict simplification and sabotage the delivery of Universal Credit.

*Automation increases resistance to change*

The automation of the Universal Credit system increases resistance to change, because amendments to core design features may not be easy, and alternative manual interventions are more staff-intensive and costly (Brown and Holborn, 2018). The ‘agile’ IT system appears anything but. There are ongoing adjustments to the IT system, with priority placed on changes creating significant gains for large numbers - a convincing rationale (Couling, 2018b, Q536, 581, 582). Other changes, however,
may be implemented just because developers are accessing the automated system for another purpose anyway (Couling, 2021), which seems somewhat less convincing. The algorithm governing the Universal Credit calculation poses particular obstacles to flexibility (Human Rights Watch, 2020). But introducing Universal Credit depended on cross-governmental agreement in 2013 to the RTI process operated by HM Revenue and Customs (Timmins, 2016) – thereby making automation central to its successful adoption and roll-out from the start (though it is not clear that this would have been impossible to operate under the legacy system).

To summarise, the scope to reform Universal Credit to fulfil these wider policy goals and valued criteria seems strictly limited. The monthly assessment period cannot be adjusted beyond minor modifications to give greater income security. An integrated system impedes moves to enhance gender equality and/or to promote child welfare, as well as to provide targeted help for groups disadvantaged in the labour market. And automation creates further barriers to change (JUSTICE and Administrative Justice Council, 2021).

**Conclusion**

There is limited evidence to assess the success of Universal Credit in achieving the stated goals of encouraging (more) employment, increasing take-up and reducing administration costs. We also conclude that there are built-in limits on future reform. We have examined the potential for reforms including achieving more stable and secure income for claimants; varying the taper rate for groups more sensitive to incentives; changing support for childcare costs to help claimants with greater employment obstacles (especially mothers); and making separate payments to
partners in couples, to meet gender equality and child welfare goals. But, despite some recent changes to Universal Credit, these more substantive reforms to fulfil important social goals seem infeasible whilst retaining central features of Universal Credit and automation of its processes.

Such structural changes to Universal Credit therefore seem impossible without driving a coach and horses through core parts of its design – the operation of monthly assessment and Universal Credit as a ‘unitary concept’ – and/or undermining automation. The Government has set its face firmly against this, as stressed in its response to the report from the House of Lords Economic Affairs Committee (2020). This inflexibility is rooted in ideological imperatives prioritising simplification, incentives for behavioural change to reduce ‘welfare dependency’, and ‘affordability’ (Parker, 2018) over other important policy goals.

Instead, ministers have moved from seeing Universal Credit as a ‘force for good’ (Rudd, 2019) to describing it as the ‘foundation’ of the benefits system, and now ‘the future’, or even ‘the social security system in the UK’ (Work and Pensions Committee, 2021b, p1). We beg to differ. Whatever one’s views of the aims of Universal Credit, the price of trying to achieve them is, we believe, too high. Criticisms to date have largely focused, understandably, on the impacts of Universal Credit on claimants; and we would certainly agree that the Government should adopt, instead of ‘test and learn’, a ‘listen and learn’ approach (Patrick and Simpson with UC:Us, 2020). But analysis of the fundamental constraints on flexibility for policy makers imposed by the core design

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25 For example, in the terms of reference for the In-work Progression Commission in 2020
of Universal Credit is now urgent; and other countries contemplating similar benefit reforms could usefully learn much from the UK’s experience.

In addition, developing an integrated, automated Universal Credit has created a juggernaut of mass means testing, which is difficult to halt in its tracks, or even to steer in less problematic directions. And the drawn-out introduction of this ‘blob of a thing’ (Evason, 2019, Q138) has resulted in disproportionate attention being paid to one part of the social security system, with limited bandwidth remaining amongst policy makers in power for other parts. Enthusiasts for the simplification that created support for this major reform did not acknowledge the inevitable limitations of Universal Credit as a ‘hyper means-tested benefit’ (Pope, 2020). The architects of Universal Credit demonstrated a strikingly narrow view of the goals and purposes any benefits system should meet; and, during the pandemic, non-means-tested contributory benefits have been virtually ignored (Hick, 2020). Perhaps understandably, given recent concerns about inadequate benefit levels, increasing food bank use, and rising destitution, there are calls for a more generous all-in-one means-tested benefit as a priority for longer-term benefit reform.26 For our part, however, we would argue against an over-emphasis on one ‘hyper means-tested benefit’ to the exclusion of other crucial elements of a comprehensive social security system that fulfil its broader goals, beyond solely the relief of poverty or ‘making work pay’.

26 E.g. by the Commission on Social Security, led by experts by experience; and by the New Economics Foundation
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