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Coronavirus: Universal Credit during the crisis

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Summary

This House of Commons Library briefing paper explores how Universal Credit has coped and changed during the coronavirus crisis so far, and what challenges lie ahead for this benefit.

The policy issues touched upon in this paper are fast-moving areas which are subject to change. **This paper should therefore be read as correct at the date of publication (15 January 2021).**

The coronavirus crisis has had a significant economic impact which, in turn, has affected household finances – and will continue to do so. Since the early stages of the public health response in mid-to-late March, there has been an increased reliance on the UK social security system, and Universal Credit in particular.

The Government has introduced a series of measures which have served to alleviate demand on the benefits system to some extent. In particular, the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) have between them attracted more than 10 million claims.

Nevertheless, significant new demand has fallen on Universal Credit as the UK welfare system's main 'safety net' for people of working age.

Universal Credit

Universal Credit (UC) is a means-tested benefit which is in the process of replacing six existing benefits and tax credits for working-age households. It is available to those who are in work but on low incomes, as well as those who are unemployed or whose capability for work is limited by sickness or disability. It was introduced by the Coalition Government from 2013 in order to simplify and streamline the benefits system, improve incentives for work, tackle poverty, and reduce fraud and error.

UC has been available in every part of the UK since December 2018 and is now the only option for any working-age individual or family wishing to apply for a means-tested benefit. In March 2020, 3 million people were on Universal Credit, but the numbers have risen substantially during the coronavirus crisis, reaching 5.8 million people by November 2020.

Impact of coronavirus

In the early stages of the coronavirus crisis, there was a sharp increase in UC claims. In the four-week period ending on 9 April, 1.2 million people in Great Britain started a UC claim – around a million more than the usual volume of monthly claim starts – and a further 1.1 million started in the five weeks ending on 14 May 2020.

Overall, the total number of people on Universal Credit in Great Britain surged from 3 million in March to 5.2 million in May and has since gradually increased to 5.8 million as of November (the latest date for which we have figures). The daily volume of new claims peaked at 135,900 on Friday 27 March. Since then, application volumes have gradually subsided to levels similar to those before the pandemic.

Universal Credit under pressure

This increased demand has placed huge operational pressures on the Department for Work and Pensions (DWP). Initially, UC came under criticism from new claimants regarding the length of time they had to wait to verify their identity by telephone.

In response, the DWP acted to adapt services and to reallocate resources in order both to meet new demand and to facilitate social distancing. This included redeploying nearly 10,000 staff within the DWP and from other Government departments to assist with processing new claims. As a result, the DWP reported that 96% of new UC claims during the assessment period covering 9 April received their full first payment on time, which it was noted, was an improvement on the figure of 88% of payment timeliness in March 2020.

Subsequently, Universal Credit, and DWP staff in particular, have received praise from various quarters, including in reports from the Work and Pensions Committee and the House of Lords Economic Affairs Committee. It has been noted that the digital and automated structure of the benefit, combined with the temporary changes made by the DWP, has enabled the system to withstand a sudden increase in demand where legacy systems may have struggled.

Changes made to Universal Credit

In order to ease and speed up access to Universal Credit, the Government made a number of temporary policy and operational changes. These included:

- An increase to the standard allowance of Universal Credit (and to the basic element of Working Tax Credit), so that claimants of Universal Credit and WTC now receive up to £20 more a week for 12 months up until April 2021. Local Housing Allowance Rates were also uplifted.
- Allowing UC (and ESA) claimants who were 'affected' by coronavirus (i.e. anyone with Covid-19 or required to self-isolate or looking after a child of such a person) to be treated automatically as having limited capability for work, without having to obtain a 'fit note' or to undergo a Work Capability Assessment.
- Suspending conditionality – conditions such as work-search requirements and attending regular interviews at jobcentres were suspended temporarily (although starting from July 2020 they are being gradually reintroduced).
- Suspending face-to-face assessments and Jobcentre appointments, and pausing disability benefit reassessments.
- Suspending deductions for certain kinds of debt.
- Suspending the 'Move to Universal Credit' pilot which had been testing the final phase of Universal Credit caseload rollout ('managed migration') in Harrogate.

The DWP has been clear that these policy changes were only meant to be temporary during a moment of acute crisis, and several measures had been withdrawn by the end of 2020. The Secretary of State for Work and Pensions stated in May that it was not her intention "to change the fundamental principles or application of Universal Credit".

Calls for further change

Despite these policy changes, as well as the Government's express intention not to alter the fundamental design and architecture of Universal Credit, there have been further calls to reform UC to support households more effectively during the crisis.

These have included:

- Measures to mitigate the 'five-week wait' for the first payment of Universal Credit, either by making UC advances non-repayable during the crisis, or by pausing deductions for advances.
- Suspending limits on eligibility and entitlement, such as:

  - The ‘capital rules’, which mean that people who have more than £16,000 in savings are not eligible to claim UC;
  - The ‘No Recourse to Public Funds’ rules, which mean that many foreign nationals cannot claim benefits;
  - The ‘benefit cap’, which limits the total amount of benefit a household can receive; and
  - The two-child limit, under which a household will not receive an additional amount in their award for a third or subsequent child born on or after 6 April 2017.

- Help for former legacy benefit and tax credit claimants who applied for Universal Credit in light of Government guidance, without realising that their existing benefits would stop, and that they might be left worse off.
- Increasing the generosity of Universal Credit payments beyond the rise in the standard allowance, such as an increase in the child element.
- Retaining the temporary uplift in Universal Credit and Working Tax Credit beyond April 2021 (when it is due to expire).

Future challenges for Universal Credit

Universal Credit, and the wider benefits system, will be part of the Government’s overall policy response to prevent financial hardship and support people back into employment as part of the economic recovery.

UC’s ongoing role as the main safety net for new benefit claimants is likely to gain further prominence in 2021. The CJRS and the SEISS are due to close in April 2021, at which point the Office for Budget Responsibility (OBR), in its Economic and Fiscal Outlook published in November, assumes in its ‘central scenario’ that unemployment will peak at 7.5%. The Resolution Foundation has predicted “significant claims for UC” following the end of the CJRS.

Moreover, the £20 a week increase to the UC standard allowance is designed to be temporary and will expire in April 2021 unless it is extended.

There are also challenges ahead with the resumption of employment support and conditionality within Universal Credit. This is especially the case in a context of ongoing social distancing requirements, but also with a weaker labour market.

Finally, the DWP’s ‘Move to Universal Credit’ pilot in Harrogate – in advance of the final ‘managed migration’ phase of UC rollout – remains suspended, and the Department has not yet indicated when it might resume. Before the outbreak of coronavirus, the DWP had revised its forecast for completing the full caseload rollout of UC to September 2024. The Department has not said what effect, if any, the crisis will have had on this forecast. HMRC officials noted in November 2020, however, that completion of managed migration to UC from legacy benefits and tax credits by September 2024 was now “not likely”.

By August 2020 the number of households on UC had reached 4.6 million, well in excess of the level that the DWP had previously been expecting the UC caseload to be at in 2022/23. The DWP now forecasts that the UC household caseload will reach 6.1 million by 2025/26, a year later than its previous forecast of when the UC caseload would pass the 6 million household mark and when it expected to complete the full caseload rollout of UC.

1. What is Universal Credit?

1.1 A new means-tested benefit

Universal Credit (UC) is a benefit which is in the process of replacing six existing means-tested benefits and tax credits for working-age households. It is available both to those who are in, and out of, work, and is calculated and paid on a household-wide basis. It was introduced by the Coalition Government from 2013 and aims to simplify and streamline the benefits system for claimants and administrators, as well as to improve incentives to work, tackle poverty, and reduce the scope for fraud and error. It is administered and delivered by the Department for Work and Pensions (DWP).

The full version of UC has been available in every part of the UK since December 2018, meaning that it is now the only option for any working-age individual or family wishing to apply for means-tested assistance.[1] It is no longer possible to make a new claim for any of the six 'legacy' benefits or tax credits which are being replaced.[2] In February 2020, 2.6 million households were on Universal Credit, but this has risen substantially since the outbreak of coronavirus and as of August stood at 4.6 million households.[3]

1.2 An unemployment and 'in-work' benefit

Universal Credit awards comprise a standard allowance with additional amounts for children and housing, as well as other needs and circumstances such as childcare, caring, and sickness/disability. The actual amount a household receives, however, will depend on its income and savings, as it is a means-tested benefit. It is payable to those who are unemployed, as well as those who are employed or self-employed but on a low income, with capital below £16,000. It therefore performs the role of, as one social policy commentator has recently put it, both as the welfare state's "minimum safety net", as well as an in-work benefit which tops-up wages for those on low incomes.[4] Before the outbreak of coronavirus, around a third of people claiming UC were in work.[5]

1.3 A benefit designed to incentivise work

Income from employment or self-employment reduces a UC award at a constant rate (the '**single taper'**), although households may be able to keep some of their earned income before it begins to affect their UC

1 DWP, Universal Credit transition to full service, updated on 12 December 2018
2 The term 'legacy benefit' is used by the Department for Work and Pensions to describe these benefits and tax credits, and this will be used throughout the rest of this briefing.
3 DWP, Universal Credit statistics: 29 April 2013 to 8 October 2020, 19 May 2020. See section 2 of this paper for more information.
4 Institute for Government blog (Nicholas Timmins), Credit where it is due: Universal Credit during the coronavirus lockdown, 4 May 2020
5 DWP, Universal Credit statistics: 29 April 2013 to 10 October 2019 (official statistics), 12 November 2019

(the '**work allowance**').[6] Self-employed UC claimants are also usually subject to a **Minimum Income Floor (MIF)**. After a claimant has been self-employed for a certain amount of time, their award is calculated as if they earned the National Minimum Wage for the hours they are expected to work, even if their actual earnings are lower than this.[7]

The financial support provided by Universal Credit is underpinned by a '**conditionality**' framework which sets out certain responsibilities that claimants may be required to meet, such as to look for or prepare for work. The level of these requirements depends on a claimant's circumstances and the extent to which they are able to work. If they have a health condition or a disability, their capability for work will be determined by a Work Capability Assessment.[8]

The conditionality framework is accompanied by a **sanctions** regime for those who do not comply with the requirements to which they have agreed as part of their 'claimant commitment'.

1.4 A benefit with a monthly design and an automated digital system

Unlike the 'legacy benefits' it is replacing, UC is managed and accessed almost entirely digitally. Claimants are normally expected to apply for Universal Credit online, and then manage their claim, including reporting changes in circumstances, via an **online account.**

Another unique feature of UC is that it is **assessed and paid monthly** in arrears. Unless exceptional circumstances apply, UC awards are delivered in a **single payment** designed to contribute to different household needs.[9]

The DWP calculates a household's entitlement to UC automatically based on its combined income and capital. While tax credit awards are based on annual income, UC is based on **current income** – and therefore awards are calculated on an ongoing basis and increase or decrease in response to changes in income and other factors which take place during the preceding month (the 'assessment period').[10] For employees paid through Pay as You Earn (PAYE), HMRC's **Real Time Information** system allows the DWP to automatically adjust their UC award if their wages change.

At the end of each monthly assessment period, claimants then receive their UC award as a single monthly payment in arrears. The DWP contends that these payment arrangements "prepare claimants for the world of work in which 75% of employees are paid monthly", while also encouraging claimants to "take responsibility for their own financial affairs".[11]

6 DWP, Universal Credit work allowances, 6 April 2020
7 DWP, Universal Credit for the self-employed, 18 June 2020
8 DWP, Universal Credit: Health conditions and disability guidance, 1 July 2020
9 Commons Library Insight, Universal Credit: Does the monthly design work for claimants?, 15 January 2020
10 Revenuebenefits, Universal Credit: Calculating Universal Credit
11 DWP, Alternative Payment Arrangements, 13 May 2020

1.5 Caseload rollout of UC is incomplete

The DWP originally envisaged that Universal Credit would fully replace legacy benefits for all claimants by 2017, but the rollout timetable has been pushed back several times.[12] The full caseload rollout of Universal Credit – when everyone who would have claimed legacy benefits is claiming UC – was, before the coronavirus outbreak, expected to be completed in September 2024. But the DWP has suspended the 'Move to Universal Credit' pilot it was conducting to prepare for the final stage of the caseload rollout of UC (known as 'managed migration') owing to the coronavirus outbreak, and so it is unknown as to whether it will still be able to meet this deadline for completion (see section 6.3 for further details).

[12] Office for Budget Responsibility, Economic and Fiscal Outlook, March 2020, paras 3.96-97

2. What pressure has coronavirus placed on the Universal Credit system?

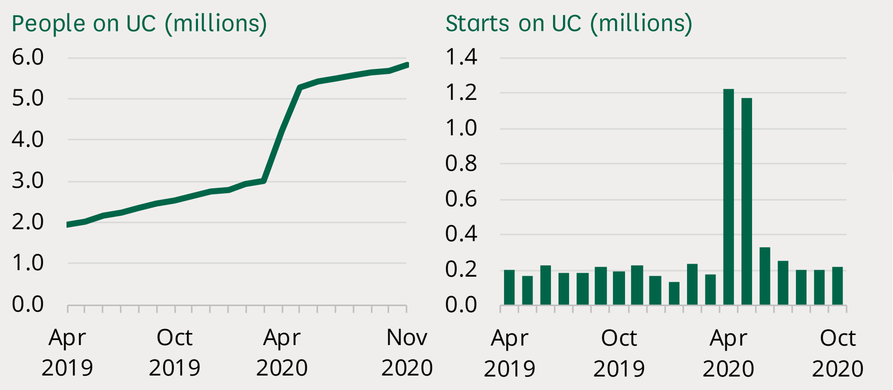
Public health interventions to deal with the coronavirus outbreak have had a significant economic impact which has, in turn, affected household finances and continues to do so. During the early stage of the crisis in mid-to-late March, as social distancing measures and lockdown laws closed entire sectors of the economy, there was an increased reliance on the UK social security system, and on Universal Credit in particular as the main means-tested benefit for those who are newly unemployed or have a reduced income.

In late March and early April, the Government announced a series of measures to support the incomes of people unable to work and alleviate pressure on the benefits system. These included the creation of the Coronavirus Job Retention Scheme (CJRS) and the Self Employment Income Support Scheme (SEISS). Since the CJRS went live on 20 April, 9.9 million employee jobs have been furloughed through this scheme, and since the SEISS opened for applications in May, 6.8 million claims for grants have been made from self-employed people.[13] Nevertheless, significant new demand has also fallen on the existing benefits system, especially Universal Credit.

2.1 Sharp increase in UC claims

In the four-week period ending on 9 April, 1.2 million people in Great Britain started a Universal Credit claim – around a million more than the usual volume of monthly claim starts – and a further 1.1 million in the five weeks ending on 14 May. The total number of people on Universal Credit in Great Britain surged from 3 million in March to 5.2 million in May and has since gradually increased to 5.8 million as of November.

Universal Credit: caseloads and starts, Great Britain



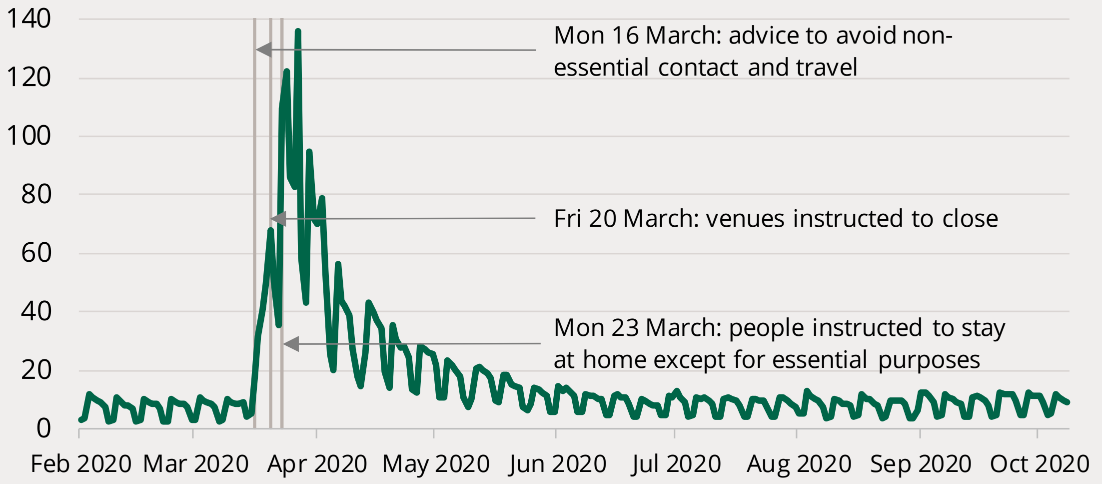
Source: DWP Stat-xplore.

[13] CJRS and SEISS figures are as of midnight on 15 November 2020. See Commons Library briefing CBP-8898, Coronavirus: Impact on the labour market, 18 December 2020 (updated on an ongoing basis)

2.5 million new claim applications for Universal Credit were made between 16 March and 28 May. The daily volume of new claims peaked at 135,900 on Friday 27 March 2020 – around 18 times higher than the typical number for a Friday.[14] The daily new claim volume also reached six figures on Monday 23 March (109,520) and on Tuesday 24 March (121,990). Application volumes then subsided and during the summer and early autumn they were at similar levels to those seen before the pandemic (see chart below).

Universal Credit new claims, Great Britain

thousands of new claims made per day



Source: DWP Stat-xplore

The Resolution Foundation noted that UC has been one of three components in the Government's initial strategy to protect family incomes during the crisis, alongside the CJRS and the SEISS. UC, it argues, is therefore "playing the vital role as the safety net benefit for those who have lost their jobs or businesses" and is also helping to "to up incomes for families in work on low earnings".[15]

At present, relatively little is known about the new cohort of UC claimants. There is limited timely data on the characteristics of new claimants. In September 2020, the University of Salford published a report – 'Who are the new COVID-19 cohort of benefit claimants?' – in as part of its 'Welfare – at a social distance' project. This commissioned a YouGov survey which sampled 7,601 UC claimants. This reported that, compared with existing claimants, the cohort were more likely to be younger, from minority ethnic groups, male, without a health condition or disability, from a higher 'social grade', university graduates, and owner occupiers.[16]

14 During February and the first half of March 2020, the average number of new claims recorded on a Friday was 7,660.
15 Resolution Foundation, This time is different – Universal Credit's first recession, 27 May 2020
16 Welfare at a (Social) Distance project, Who are the new COVID-19 cohort of benefit claimants?, September 2020

The DWP does not currently publish official statistics on Universal Credit claimants by ethnicity or social background.[17]

[17] DWP, Universal Credit statistics: background information and methodology, updated 11 August 2020

3. How has the Universal Credit system coped?

3.1 DWP's response to increased UC demand

The increased demand from mid-March onwards placed huge operational pressures on the Department for Work and Pensions. Initially, during the peak of demand in late March, Universal Credit came under criticism from some new claimants. Complaints focused specifically on problems with verifying identity in order to complete a new claim. Many claimants were unable to use the Gov.uk Verify service and claimants trying to verify their identify by telephone faced long waits.[18]

The DWP acted to adapt services and to re-allocate resources to meet new demand and to facilitate social distancing. This included suspending work-related conditionality and face-to-face meetings, and allowing the redeployment of staff to process new claims. By early May 2020, 8,500 staff were redeployed within the DWP,[19] and nearly 1,000 additional staff from other Government departments were transferred to assist with claims processing.[20] All local jobcentres were repurposed as 'virtual processing teams' focused on paying new claims.[21]

In response to the high volume of phone calls as part of the identity verification process, on 9 April the DWP removed the requirement for claimants to phone and instead made arrangements for the Department to call them.[22] To help accelerate claims further, the DWP announced on 16 April that people applying for UC would be able to use their existing Government Gateway account, if they had one, to confirm their identity.[23]

As a result of the DWP's efforts to respond to increased demand, Will Quince, Minister for Welfare Delivery, reported that 93% of new UC claimants who applied during the week beginning 16 March 2020 would receive their first payment on time,[24] which it was later noted was an improvement on the figure of 85% of payment timeliness prior to the coronavirus outbreak.[25] This was later revised up to 95%. The latest DWP statistics show that 93% of new UC claims in July 2020 received their full first payment on time, with 96% of households receiving some or all of their first payment on time. In March 2020, just

18 'Coronavirus: The newly jobless struggle to claim benefits', BBC News, 25 March 2020
19 HC Deb 4 May 2020 c421
20 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020
21 HC Deb 4 May 2020 c421
22 'Don't call us – we'll call you', DWP press release, 9 April 2020
23 'Universal Credit claimants to verify identity through Government Gateway', DWP press release, 16 April 2020
24 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, HC 178, 23 April 2020, Q70
25 Letter from Peter Schofield, Permanent Secretary, to the Chair of the Work and Pensions Committee, 3 April 2020

prior to the coronavirus outbreak, around 87% of new claims received all of their first payment on time.[26]

3.2 Praise for UC and DWP staff

Subsequently, Universal Credit received praise from various quarters for how it had withstood such intense demand. Writing for the Institute for Government on 4 May, the social policy commentator and historian, Nicholas Timmins, praised Universal Credit's ability to handle the pressure, despite some causes for complaint.[27] He noted the previous month that the crisis had highlighted the advantages of Universal Credit's entirely digital system, which had not collapsed under the pressure. He remarked further that if people had been left to rely solely on the 'legacy benefit' system, "Jobcentres and council offices would have been overwhelmed", with long queues making it difficult to comply with social distancing guidance. He concluded that this "may be the moment when the country becomes grateful for Universal Credit".[28]

Similar praise came from the Work and Pensions Committee and the Lords Economic Affairs Committee, in reports published in June and July 2020 respectively. The Work and Pensions Committee's report on the DWP's response to the coronavirus pandemic noted the changes the Department had made to the application process, such as using Government Gateway accounts to verify identity, and welcomed improvements to payment timeliness. It stated:

> DWP should be commended for its rapid response to an unprecedented increase in claims. In particular, the extraordinary work of its front-line staff, whose efforts have led to most claimants receiving their first payment on time, deserves the highest praise.[29]

Nevertheless, the Committee's report also highlighted further room for improvement, and outlined various challenges facing UC in the future, some of which are discussed below.

The Lords Economic Affairs Committee, in a report otherwise very critical of Universal Credit, noted that the digital and automated structure the benefit, combined with the temporary changes made by the DWP, had allowed it to withstand the sudden increase in demand:

> The efficient management of an unprecedented number of new claims over such a short period would not have been possible without the digitalisation of the Universal Credit application process. Furthermore, the DWP was able to process the large number of applications using automation, a rapid reorganisation of resources and by changing policies and processes. It also took steps to safeguard claimants and staff. We commend the DWP,

[26] DWP, Universal Credit Statistics: 29 April 2013 to 8 October 2020, 1 December 2020
[27] Institute for Government blog (Nicholas Timmins), Credit where it is due: Universal Credit during the coronavirus lockdown, 4 May 2020
[28] Institute for Government blog (Nicholas Timmins), Coronavirus is giving Universal Credit its moment in the sun, 2 April 2020
[29] Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020, para. 21

> and particularly frontline staff, for responding with decisiveness and dedication.[30]

It also noted, however, that more longstanding general issues with Universal Credit, outlined throughout its report, would impact more people if not addressed.

3.3 Feedback from UC claimants

The Resolution Foundation concluded that Universal Credit had "passed its first test" during the initial stages of this crisis. It also noted that a key part of UC's success in being able to process a huge number of new claims lay in the strength of the digital system and the hard work of civil servants. Its own research found evidence of issues with the verification system persisting for some claimants, but that new claimants to UC were "mostly positive" about the claim process and the service they received:

> Although there remain issues with the identification verification systems, 74 per cent of claimants in our survey reported they were satisfied or very satisfied with the way DWP handled their claim. Overall, the system has coped well, and DWP deserves applauding for this. It's almost certain that, without the capacity of the new digital-based systems, families would have waited longer for a payment and suffered as a result. However, even those happy to claim online appreciated the phone calls with DWP staff, something that DWP should maintain to ensure UC is accessible to claimants.[31]

On the other hand, in January 2021 the Joseph Rowntree Foundation relayed more negative feedback from UC claimants (including new claimants) in its Grassroots Poverty Action Group. It describes the Grassroots Poverty Action Group as "a diverse group of people with direct experience of living on a low income" who took part in discussions over five sessions and whose findings inform the analysis in the report:

> Discussions within the JRF Grassroots Poverty Action Group highlighted many of the known problems within the social security system, as well as problems that those interacting with the system for the first time, as a result of coronavirus, were facing. The themes of fear, frustration and difficulties were repeated throughout the conversation. Participants reported finding the system difficult to navigate, over-reliant on digital technology and lacking in personal support, something that has been exacerbated by the limitations that coronavirus has put on face-to-face meetings.
>
> For those who have lost their jobs or experienced significant income loss due to coronavirus, having to navigate the social security system for the first time can add another level of fear and

30 House of Lords Economic Affairs Committee, Universal Credit isn't working: proposals for reform, 31 July 2020, para. 15
31 Resolution Foundation, This time is different – Universal Credit's first recession, 27 May 2020, pp5 and 23

stress at an already worrying time, and this was enhanced by the negative stories that abounded in the media.[32]

[32] Joseph Rowntree Foundation, UK Poverty 2020/21: The leading independent report, January 2021, p54. The description of the Grassroots Poverty Group can be found on p22.

4. How has Universal Credit changed during this crisis?

In order to ease and speed up access to benefits during the crisis, and to ensure more adequate support for households struggling financially, the Government made a number of temporary operational and policy changes to many benefits, and Universal Credit in particular.

These are described briefly in this section, and in more detail in the following Commons Library briefing CBP-8973, Coronavirus: Withdrawing crisis social security measures, last updated on 8 December 2020, which notes the current status of many of these changes and is regularly updated.

The DWP has been clear that most of the measures were only meant to be temporary during a moment of acute crisis. Speaking in the House of Commons on 4 May, the Secretary of State for Work and Pensions, Thérèse Coffey, said that while the Department would "continue to look at issues that arise", it was not her intention "to change the fundamental principles or application of Universal Credit".[33]

Many of these measures were withdrawn over Summer 2020 as the Government made preparations to recover economically, although some have also been extended in light of a significant rise in the number of Covid-19 cases in the UK from Autumn 2020 onwards.

4.1 Facilitating self-isolation and social distancing guidance

The Government responded to the crisis by ensuring that Universal Credit could be claimed by people who were directly affected by the virus and forced to self-isolate. Claimants for UC (and Employment and Support Allowance (ESA)) who were affected by coronavirus (anyone having Covid-19 or required to self-isolate, or looking after a child of such a person) were treated automatically as having limited capability for work without having to obtain a medical 'fit note' or to undergo a Work Capability Assessment.[34] This ceased to apply to Universal Credit as of 30 March 2020.[35]

Measures were also announced in light of new social distancing guidance. The March 2020 Budget announced the suspension of face-to-face meetings at Jobcentres for new UC claimants affected by coronavirus. The DWP then went further, advising that all new claim interviews would be by telephone.[36]

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33 HC Deb 4 May 2020 c423

34 *The Employment and Support Allowance and Universal Credit (Coronavirus Disease) Regulations 2020 (SI 2020/289)*

35 Regulation 10(3) of *The Social Security (Coronavirus) (Further Measures) Regulations 2020 (SI 2020/371)*

36 Commons Library briefing CBP-8894, Coronavirus: Support for household finances, 22 June 2020, p33

In March, the DWP closed jobcentres for appointments, at first for new claimants, and then advised that no one should visit a Jobcentre "unless directed to do so for an exceptional purpose". The Department began the process of reopening jobcentres from July 2020.[37] As public health restrictions increased during Autumn 2020, the DWP has sought to keep Jobcentres open across the UK. On 9 November, it outlined new guidance on how Jobcentres were adapting to meet public health restrictions,[38] and in early December it outlined rules which allowed Jobcentres to operate differently depending on local restrictions.[39] Following the announcement of the third national lockdown in England in January 2021, the DWP issued new Jobcentre guidance allowing them to remain open, but only for those who need extra support and are "unable to interact with us on the phone or digitally".[40]

Face-to-face assessments for disability benefits such as Personal Independence Payment (PIP) and the Limited Capability for Work and Work-Related Activity (LCWRA) element in Universal Credit were suspended for three months on 17 March.[41] A DWP press release on 6 July stated subsequently that this suspension would continue,[42] and on 16 November, Justin Tomlinson, Minister for Disabled People, Health and Work confirmed that it was still in place, while "being kept under review in line with the latest public guidance".[43] Assessments have continued during this time albeit at a reduced pace. People with assessment appointments have been advised that they will be contacted to discuss next steps and alternative arrangements, possibly involving telephone or paper-based assessments.[44]

Reviews and reassessments for all disability benefits were also suspended for at least three months on 23 March.[45]

4.2 Increasing the generosity of UC

The Government introduced temporary policy changes to Universal Credit to allow it to provide more generous support to people who requiring financial support from the benefits system. Prior to the crisis, the main rate of unemployment benefits had not been at a lower level relative to earnings at any time since 1948.[46]

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37 Employment and benefits support, DWP 'Understanding Universal Credit' website on Gov.uk (accessed 13 November 2020). This now reads "You do not need to attend the jobcentre unless we ask you to do so. If you need to contact us the quickest way to do this is online or by phone. If you need to attend a jobcentre, they are open and one of our colleagues will be able to assist you. You will be required to wear a face covering when entering a jobcentre, unless you are in an exempt category".
38 DWP, Jobcentre guidance on new national Covid restrictions, 9 November 2020
39 DWP, Jobcentre guidance on COVID-19 Local Restriction Tiers, 27 November 2020
40 DWP, Jobcentre guidance on new national COVID restrictions, 6 January 2021
41 'Coronavirus support for employees, benefits claimants and business', DWP press release, 13 March
42 'Face-to-face assessment suspensions continues for health and disability benefits', DWP press release, 6 July 2020
43 PQ 113467, 16 November 2020
44 PQ58015, 17 July 2020
45 'Claimants are asked to apply online as jobcentres limit access', DWP press release, 23 March 2020. Since 6 July, some reviews and reassessments have resumed for PIP and Disability Living Allowance (DLA).
46 Resolution Foundation, This time is different, 27 May 2020, p41

On 20 March, the Chancellor of the Exchequer, Rishi Sunak, increased the level of the standard allowance of Universal Credit (as well as the Working Tax Credit basic allowance) by £1,000 per year in the year 2020/21.[47] In practice, UC rates have been increased by £1,040.04 per year, or £86.67 per month, equating to an increase of £20 a week. These increases are designed to be temporary and apply until the end of the 2020/21 financial year.[48] The Secretary of State for Work and Pensions, in a written statement on 25 November 2020, noted that this increase was a "temporary measure" and that the Government would "continue to assess how best to support low-income families" and that it would "look at the economic and health context in the new year".[49] The future of these increases has attracted significant public attention which is explored in section 5.6 of this paper.

At the same time as announcing this uplift to UC and WTC, the Chancellor announced that Local Housing Allowance (LHA) rates would be reset to the 30th percentile of market rents in each Broach Rental Market Area. LHA rates determine the maximum amount of housing support that tenants in privately rented accommodation can receive as part of their Universal Credit housing costs element or Housing Benefit claim. The Chancellor said this meant "the Local Housing Allowance will cover at least 30% of market rents in your area".[50] The Secretary of State for Work and Pensions confirmed in June that this was a "permanent uplift".[51] Subsequently, she announced in a written statement on 25 November that the Government would maintain this increase in cash terms in 2021/22, although it would not be uprated and the link with market rents would not be re-established: the "assumption in the forecast is that rates will remain at these levels in future years, subject to the Secretary of State reviewing annually in the usual way".[52]

For UC claimants who are self-employed, the Government suspended the Minimum Income Floor. At first this applied solely to people directly affected by coronavirus, but on 20 March the Chancellor announced that it was suspended for all claimants.[53] This suspension was originally due to expire on 12th November 2020, but the Secretary of State announced on 3 November that it would be extended until the end of April 2021.[54]

The DWP announced on 3 April that it was pausing the recovery of legacy benefit overpayments, Social Fund loans, and Tax Credit debts from UC awards for three months. The Department said that the

47 HM Treasury (statement), The Chancellor Rishi Sunak provides an updated statement on coronavirus, 20 March 2020
48 See section 2 of CBP-8973, Coronavirus: Withdrawing crisis social security measures, 8 December 2020
49 HCWS600, 25 November 2020
50 Gov.uk The Chancellor's updated statement on coronavirus, 20 March 2020
51 House of Lords Economic Affairs Committee, Oral evidence: The economics of Universal Credit, 2 June 2020, Q119
52 HCWS600, 25 November 2020
53 HM Treasury, The Chancellor Rishi Sunak provides an updated statement on coronavirus, 20 March 2020
54 HCWS552, 3 November 2020

change would mean that many claimants would see an increase in the amount of money they receive, whilst also allowing it to redeploy a significant number of staff to focus on getting money to those who receive support.[55] Deductions from benefits through the Eligible Loan Deduction Scheme were paused temporarily, but resumed as of 7 July.[56]

4.3 Temporary suspension of conditionality

Earlier in the crisis, the DWP suspended its conditionality and sanctions framework so that Universal Credit payments would be more accessible for all claimants at the moment of crisis, and so that the Department could redeploy more staff to focus on processing claims. Regulations in force from 30 March prevented work search and work availability requirements being imposed on claimants of UC and 'New Style' Jobseeker's Allowance (JSA) for a three-month period.[57] The Government's 'Understanding Universal Credit' website later clarified that all work-related requirements had been suspended.

The suspension was lifted from the beginning of July as the Department began the process of reopening Jobcentres and resuming support to "help people to get ready again for the world of work."[58] During the suspension, new UC claimants did not go through the process of agreeing to a claimant commitment, and in July the Department said that it would be contacting these claimants to introduce personalised commitments.[59]

A 'coronavirus special' edition of DWP's Touchbase magazine for advisers – issued on 3 July – stated:

> We are working with local managers to start expanding our service offer in jobcentres to help get Britain back into work. Work Coaches are calling claimants – no one needs to contact us.
>
> We don't want to sanction anyone. These are difficult, uncertain times for many people and we want to do everything we can to help them find work or increase hours, where that is possible for them. No sanction will be used until the claimant has an up-to date Claimant Commitment in place. After that, a sanction will only be used where a claimant has not provided good reason for meeting the agreed requirements in the Claimant Commitment. Claimants who are shielding, have childcare responsibilities because of COVID restrictions, etc. will have their Claimant Commitment tailored to reflect their circumstances and will not be asked to do anything unreasonable.[60]

In November, Mims Davies, the Minister for Employment said that claimants "will not be subject to conditionality until they have agreed a new or updated claimant commitment". Following the announcement of the third national lockdown in England in January 2021, Will Quince, Minister for Welfare Delivery noted that conditionality was continuing and that sanctions would not be suspended, but that "work coaches

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55 'Recovery of benefit overpayment suspended', DWP press release, 3 April 2020
56 DWP, Guidance: Eligible Loan Deduction Scheme, 7 July 2020
57 The Social Security (Coronavirus) (Further Measures) Regulations 2020 (SI 2020/371)
58 HC Deb 29 June 2020 c17. This is discussed further in section 6 of this paper.
59 PQ 69562 9 July 2020
60 Expanding our service offer in jobcentres, Touchbase magazine, 3 July 2020

will work with claimants to ensure claimant commitments are reasonable for claimants' circumstances, and allows them to continue to adhere to Covid-19 public health advice."[61]

4.4 Suspension of the 'managed migration' pilot

Finally, and significantly, the DWP made a decision early in the crisis to suspend the 'Move to Universal Credit' pilot in Harrogate. Since July 2019, this pilot had been testing processes for moving the remaining 'legacy benefit' claimants on to UC during the final stage of caseload rollout, known as 'managed migration'. DWP's Universal Credit Engagement Team wrote to stakeholders announcing the temporary suspension, and noted that with "unprecedented demand for Universal Credit, our departmental priority has to be to get payment to those who need it, as quickly as we possibly can".[62]

The DWP has yet to state when it plans for this pilot to resume. When giving evidence to the Work and Pensions Committee on 30 September 2020, the Secretary of State said that the Department had not set a date for the pilot to resume and noted that "quite a lot of people will have moved during the pandemic, so analysis is happening on that and a way forward will be presented to Ministers".[63] This is discussed further in section 6.3 of this paper.

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61 PQ 133716, 11 January 2021

62 Letter from DWP Universal Credit Engagement Team to stakeholders, 30 March 2020

63 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 30 September 2020, Q257

5. What further changes to Universal Credit have been called for?

Despite the operational and policy changes made to UC outlined in the last section, and the Government's express intention not to alter the fundamental design and architecture of the benefit, there have been further calls for reform in order better to support claimants during the crisis. Broadly speaking, the Government's view, as stated by Ministers and officials to the Work and Pensions Committee, is to keep policy changes "to an absolute minimum". Will Quince has explained that "big structural changes" to the way Universal Credit works "detracts from our core work of making sure that this unprecedented demand is met".[64]

There have, nevertheless, been calls for more substantial policy changes. These have ranged from proposals to ensure that new claimants receive payments sooner, to calls to suspend rules which limit entitlement to support, as well as recommendations to increase the generosity of Universal Credit.

5.1 Mitigating the 'five-week wait' for first UC payment

The 'five-week wait' has long been a controversial feature of Universal Credit. It refers to the period of time new claimants can wait between applying for the benefit and receiving their first payment, and is a consequence of the monthly design of UC. As noted in the first section of this paper, UC is assessed and paid monthly, with payments made in arrears. People who might struggle financially during these five weeks are able to apply for an advance which is then repaid through deductions to their subsequent benefit payments.[65]

Organisations such as the Child Poverty Action Group (CPAG) have called for advances to be made nonrepayable during the present crisis.[66]

The Government has ruled this out. Ministers and civil servants have cited both operational and cost concerns in making advances non-repayable. They have argued that even if they could secure the money to finance it (which they estimate would require £2.2 billion for a year), it would be operationally undeliverable. They have argued that instead, they took the decision to raise the UC standard allowance which they argued would be more targeted in providing support "to the people who need it".[67]

64 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q83 and Q118
65 DWP, Universal Credit advances guidance, 1 April 2020 (latest update)
66 CPAG, Supporting families during the Covid-19 pandemic, 17 March 2020
67 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q77

Other proposals have been suggested by the Resolution Foundation and the Trussell Trust, who have called on the Government to pause deductions temporarily for advances during the crisis.[68] DWP officials responded by explaining that as deductions for advances are made automatically, additional staff would have to be allocated to pause deductions. Giving evidence to the Work and Pensions Committee on this issue, Neil Couling, the Change Director General and Senior Responsible Owner for Universal Credit said:

> If you wanted to block defer the recovery of advances, that is all automated in the system. We would have to strip out the automation and put human beings on to doing those deferrals, which would affect our ability to pay claims because those human beings are currently working their absolute socks off getting those 93%-plus claims paid.[69]

Nevertheless, the Committee's report on the DWP's response to the coronavirus outbreak published on 22 June noted that advance repayments are creating "additional hardship at a time when many households are already struggling to get by". It concluded:

> We were astonished to hear that the Universal Credit system has been built in a way that makes it all but impossible for repayments of Advances to be suspended in a crisis situation.[70]

It recommended that the DWP review the advances system to consider what changes are needed to make it more flexible in time of crisis to meet claimants' need more quickly.[71]

The Government's response to the Committee's report, published in September 2020, noted that the advances system was "very flexible in responding to claimants' needs". It pointed out that the March 2020 Budget had announced that from October 2021 claimants will have the option to spread their advance repayments over two years, and these repayments can be delayed for up to three months if the claimant is struggling financially.[72]

The Work and Pensions Committee subsequently published a report on "the wait for first payment" in October 2020 as part of a separate inquiry. This made a series of recommendations on this topic more broadly (not relating to the pandemic specifically), including that all first time claimants of UC should receive a non-repayable "starter payment" equivalent to three weeks of the standard allowance, to be made two weeks after the initial claim (once identity has been verified).[73] In relation to advances, which the Committee admitted may still be

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68 Resolution Foundation, No Work, No Pay: Supporting the Unemployed Through Coronavirus, 2 April 2020, pp3-4; Trussell Trust (blog), Our NHS is there to support us during this health crisis – our benefits system must also be there for people as we face this economic crisis together, 9 April 2020

69 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, HC 178, 23 April 2020, Q78.

70 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020, para. 34

71 Ibid.

72 Work and Pensions Committee, DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, 8 September 2020, p2

73 Work and Pensions Committee, Universal Credit: the wait for a first payment, 19 October 2020, Q68

required if their recommendation of a "starter payment" were to be adopted, the report recommended that the extension of the repayment of advances to two years should be brought forward to April 2021, "recognising the likely increase in the number of claimants over this winter".[74]

The Government's response to this report was published in January 2021. It rejected these recommendations, explaining that it did not see any need for a starter payment, given that advances "are available to claimants who require funds urgently". It also repeated its objection to non-repayable advances on the basis that they would increase the risk of fraud.[75]

5.2 Suspending limits on eligibility

Given the nature of the economic crisis caused by the coronavirus outbreak, there are many people who are having to rely on social security benefits who might not otherwise have expected to do so. In some situations, people who have lost their job or seen their income fall may not qualify for UC because they fail to satisfy certain conditions for entitlement.

Capital rules

As noted in section 1, eligibility for Universal Credit takes account of a person's capital, and those who have more than £16,000 in savings are not eligible to claim.

Several organisations and politicians have recommended that the capital rules in UC be relaxed for the duration of the crisis. The Resolution Foundation, in particular, has proposed that the Government suspend the capital test temporarily. It has proposed that, given this might be difficult to implement swiftly through the UC IT system, the Government could "legislate to allow both claimants and Jobcentre Plus staff to say that a family has zero savings, whatever their actual savings levels".[76] The Government has restated it position by noting that a "key principle of UC is that it supports people who do not have assets available to meet their basic needs" and therefore safeguards the most vulnerable.[77] In evidence to the Work and Pensions Committee, Will Quince said that, while he had "huge sympathy" for people who were ineligible for UC because they had too much in savings, he noted that "the principle is that you should be using that money to support yourself through difficult times and not just rely on the state."[78]

'No Recourse to Public Funds'

While some benefits do not count as public funds for the purposes of the Immigration Rules, most means-tested benefits do – including

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74 Ibid., Q110

75 Work and Pensions Committee, Universal Credit: the wait for a first payment: Government Response to the Committee's Third Report, 12 January 2021, pp3-4

76 Resolution Foundation, No Work, No Pay: Supporting the Unemployed Through Coronavirus, 2 April 2020, p5

77 PQ 41072, 12 May 2020

78 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q84

Universal Credit. Concern has been expressed about the lack of support available for those whose immigration status in the UK is subject to a condition that they have 'no recourse to public funds' (NRPF).

On 3 April, the chairs of the Home Affairs and Work and Pensions committees wrote a joint letter to the Home Secretary and the Work and Pensions Secretary seeking clarification on how the Government would ensure workers with this condition are properly supported during the coronavirus outbreak.

Despite indications in late April from the Chancellor of the Duchy of Lancaster, Michael Gove, that the NRPF policy was "under review",[79] on 4 June the Prime Minister responded to a series of questions posed to him on this subject by Stephen Timms, the chair of the Work and Pensions Committee, defending the current policy. He argued that it was in the public interest for migrants to be "financially independent" and not a "burden on the State".[80]

On 7 May 2020, in a case relating to an 8-year old child whose mother has been unable to access social security benefits, the High Court ruled that the NRPF policy is unlawful in cases where the applicant is not yet suffering, but will imminently suffer, inhuman or degrading treatment without recourse to public funds. A full judgment was delivered on 27 May.[81]

On 26 June, Citizens Advice published research conducted by the Migration Observatory at the University of Oxford which shows that almost 1.4 million people in the UK are subject to the NRPF condition. Citizens Advice reported that some people who have sought help in relation to their NRPF status have had to choose between returning to work while ill or shielding, or losing their income. It therefore called for the NRPF to be lifted during the coronavirus crisis so that migrants avoid facing "impossible choices" over their health and finances.[82]

The Work and Pensions Committee has heard evidence from organisations such as the Children's Society and the No Accommodation Network (NACCOM) that the NRPF condition is creating additional hardship for households who have lost income during the outbreak. In its report, the Committee concluded that the NRPF rule "may be a reasonable policy approach" in normal times, but that it is not in the public interest during a pandemic. It therefore recommended that "the Government should immediately suspend NRPF conditions on public health grounds for the duration of the outbreak".[83]

79 HC Deb 28 April 2020 c222
80 Letter from the Prime Minister to the Chair of the Work and Pensions Committee, 4 June 2020
81 R (W, A Child By His Litigation Friend J) v The Secretary of State for the Home Department & Anor [2020] EWHC 1299 (Admin) (21 May 2020)
82 'Citizens Advice reveals nearly 1.4m have no access to welfare safety net', Citizens Advice press release, 26 June 2020; Citizens Advice, Nowhere to turn: How immigration rules are preventing people from getting support during the coronavirus pandemic, 26 June 2020
83 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020, para. 81

The DWP declined to adopt this recommendation in its response published in September, noting that:

> The Home Office determines whether persons granted leave to enter or remain in the UK are eligible to access public funds. DWP has no legal powers to award taxpayer-funded benefits such as Universal Credit to non-UK nationals and family members whose Home Office immigration status specifies a no recourse to public funds condition. Guidance on the support available for persons granted leave with no recourse to public funds conditions, including from local authorities, is available on the Gov.uk website. This includes the Coronavirus Job Retention Scheme, Coronavirus Self-employment Income Support Scheme, contributory Employment and Support Allowance and support from local authorities providing the relevant eligibility criteria is met. Individuals can apply to the Home Office for a change of conditions.[84]

The Prime Minister was questioned further about this by Stephen Timms when giving evidence to the Liaison Committee on 13 January 2021. In answer to Mr Timms' suggestion that the NRPF condition be suspended for the duration of the pandemic, the Prime Minister responded:

> […] the problem is that it is a very, very long-standing provision in this country that NRPF conditions should apply for those who, for instance, are here illegally or unlawfully, and I think that it would not be the right way forward to change that. What I think we also discussed, Stephen, was that just because people have their NRPF does not mean that they are not eligible for support of many kinds, provided through local councils or otherwise.
>
> […]
>
> To go back to the point I was making earlier on NRPF people, I have massive sympathy for them, but they do have access to the coronavirus job retention scheme, to furlough, and to the funds that local authorities can make available to help people in particular hardship—the £7.2 billion of funding we have made available to local authorities. This country does not allow people to fall through the cracks, even if they are classified as NRPF. The point you make about UC is a valid one, but I think I have given what I hope are intelligible reasons for why we want to make a distinction between those who are eligible for UC and those who are NRPF.[85]

For further background see Commons Library briefing CBP-8888, Coronavirus: Calls to ease No Recourse to Public Funds conditions, 27 April 2020.

5.3 Suspending limits on entitlement

Concerns have also been expressed about certain limitations on entitlement which exist within Universal Credit, or general benefit rules, creating a barrier for new claimants in need of financial assistance.

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84 Work and Pensions Committee, DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, 8 September 2020, pp3-4

85 Liaison Committee, Oral evidence from the Prime Minister, HC 1144, 13 January 2021, Qs 41-42

The benefit cap

Concerns about the benefit cap

The benefit cap is a limit on the total amount in benefits a working-age household can receive. It was introduced in 2013 and most benefits, including Universal Credit, count towards it. It is a controversial policy opposed by many welfare rights groups. The Government's stated aims for the policy are to maintain public confidence in the welfare system, reduce spending on benefits, and encourage more people into work.[86]

During the crisis, various organisations have called for the removal of the benefit cap, including the Child Poverty Action Group (CPAG), the Trades Union Congress, and the Institute for Fiscal Studies (IFS).[87] They argue that removing the benefit cap would make sense, at least while social distancing applies. The IFS, in particular, has pointed out that many families subject to the cap would see no gain from the benefit increases announced by the Chancellor in April, including the standard allowance of UC.[88]

The Resolution Foundation has noted that the benefit increases will mean that more families will become subject to the cap, so that "couples with two children renting a typical three-bedroom home will now fall foul of the cap in 107 out of 152 local areas." This, it argued, would result in those becoming unemployed not receiving the help they need, concluding that: "Even if you thought this policy was a good idea in normal times, it certainly isn't during this crisis".[89]

The Social Security Advisory Committee (SSAC) has expressed similar concerns, and recommended that the Government consider "what action might be possible to ensure that the spirit and intent of the additional package of financial support it has introduced in these challenging times are fully delivered".[90]

In giving evidence to the Work and Pensions Committee on 23 April, Ministers said that they would take lessons from how the benefit cap was being applied because of increases in the UC standard allowance and other benefits. They noted, however, that the number of people likely to be newly affected by the cap, and therefore unable to enjoy in full the increased benefit rates, would be "very small".[91] They later elaborated on this point by explaining that they expected the number of people to be affected by the benefit cap to be broadly consistent with previous uplift trends prior to the crisis, where the cap applied to 1.7% of the DWP's overall caseload.[92] When questioned by some members of the Committee as to whether raising the benefit cap would be possible,

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86 Commons Library Constituency Casework page, Benefit Cap, 24 June 2020
87 Child Poverty Action Group, Supporting families during the Covid-19 pandemic, 4 June 2020, pp2-3; TUC, Fixing the safety net: Next steps int eh economic response to coronavirus, 6 April 2020
88 IFS (Observation), If the cap doesn't fit?, 7 April 2020
89 Resolution Foundation, Exiting the economic shock, 10 April 2020
90 SSAC letter to the Secretary of State for Work and Pensions, 28 July 2020
91 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, HC 178, 23 April 2020, Q90
92 Letter from DWP ministers to Chair of the Work and Pensions Committee, 15 May 2020

Neil Couling answered that it would not be "the most difficult thing to do", but that it would be "challenging". He also noted that many new claimants coming on to UC from work do not have the benefit cap applied to them nine months owing to the 'grace period' which is applied in such instances.[93]

Thérèse Coffey has stated subsequently on several occasions that the Government does not intend either to remove the benefit cap or to change the current threshold.[94] She has noted, however, that there is a statutory duty to review the levels of the cap at least once in each Parliament and said in December 2020 that the "potentially counter intuitive and shifting trends" caused by the "unusual economic period" created by the pandemic would "need to be considered in the context of any decision regarding a review".[95]

In its report published in June 2020, the Work and Pensions Committee recommended that the DWP carry out a full analysis of the numbers and characteristics of households newly subject to the cap as a result of measures taking during the coronavirus crisis. It also recommended that the Department assess the extent to which the cap might result in these claimants facing financial hardship.[96]

The Government responded by noting that the benefit cap "aims to reduce dependence on working-age benefits and restored fairness between hose receiving out-of-work benefits and taxpayers in employment". It noted that claimants in need of additional help to meet rental costs can apply for local support, such as Discretionary Housing Payments, from their local authority.[97]

As noted above, new UC claimants who were in work prior to their claim and who met an earnings threshold for 12 months while in work, have a grace period of nine months before their benefits become subject to the benefit cap. In October, the Resolution Foundation noted that November would mark nine months since the start of the coronavirus crisis, and would therefore be when families who claimed UC at the start of the pandemic might become subject to the cap. It pointed out that, for a single parent in a high housing cost area, becoming subject to the cap after their grace period could result in a cut to their benefit of £57 a week. They therefore called on the Government to extend the grace period beyond nine months and to

93 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020 Q91. The grace period only applies to people who were earning above a certain amount in each of the last 12 months: Commons Library Constituency Casework page, Benefit Cap, 24 June 2020

94 HC Deb 4 May 2020 c429 and c433; SSAC letter from the Secretary of State, 8 July 2020

95 Letter from the Secretary of State for Work and Pensions to the chair of the Work and Pensions Committee, 18 December 2020

96 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June 2020, para. 104

97 Work and Pensions Committee, DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, 8 September 2020, p4

consider the level of the cap, as well as the "reasonableness of the policy" during the crisis.[98]

On 17 December, Employment Minister, Mims Davies, confirmed that more than 340,000 households had a UC benefit cap grace period that was due to end between December 2020 and March 2021. On the basis of data available as at August 2020, she noted that the number of UC grace periods due to end in December 2020 in Great Britain was 160,300.[99] She cautioned, however, that while the DWP can identify the number of households who have a grace period, that does not equate to the number of people who will be subject to the cap when their grace period ends. This is because the grace period is applied irrespective of whether or not a household has enough benefit to become subject to the benefit cap.[100]

The Secretary of State explained in a letter to the Work and Pensions Committee chair, Stephen Timms, in the same month that the DWP could not provide information on the number of households who would be newly subject to the benefit cap at the end of their grace period "because any estimate does not account for changes of circumstances which would see some claimants continue to be exempt". She also confirmed that there were no plans to extend the grace period beyond nine months:

> This would require significant resource capacity that would impact on other priorities, such as our Plan for Jobs. Getting our claimants back into work remains my primary concern and, of course, returning to employment will significantly increase the likelihood of a household not being affected by the cap.[101]

On 22 December 2020, the Child Poverty Action Group again called for the benefit cap to be removed. It estimated that 35,000 households were likely to have their benefits newly capped at the start of 2021 as their nine month grace period was due to end in December, and that a further 41,000 households would have their benefits capped as their grace period expired from January to March. It further estimated that removing the cap would "pull 50,000 children out of poverty, a further 100,000 children out of deep poverty (below 50 per cent of median income) and 150,000 out of very deep poverty (below 40 per cent of median income)". It estimated that it would cost £500 million, which it noted was less than expenditure on the 'Eat Out to Help Out' scheme.[102]

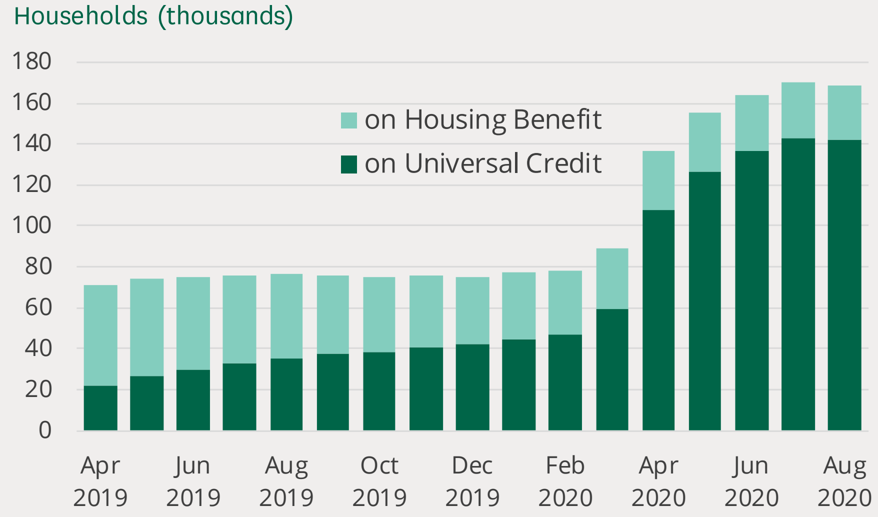
Increases to the number of households subject to the cap

The number of households in Great Britain with their benefit capped increased by 116% between February 2020 and August 2020, from 79,915 to 168,400. During this period the number of households on UC

98 Resolution Foundation, Safe harbour: Six key welfare policy decisions to navigate this winter, 7 October 2020
99 The figures the first three months of 2021 were 128,100 (January), 29,800 (February), and 25,900 (March).
100 PQ 126047, 17 December 2020
101 Letter from the Secretary of State for Work and Pensions to the chair of the Work and Pensions Committee, 18 December 2020
102 Child Poverty Action Group, Capped in the New Year, 22 December 2020

subject to the benefit cap increased by 204%, from 46,852 to 142,366, while the caseload of affected claimants still on legacy Housing Benefit continued its gradual decline (down 16%, from 31,063 to 26,034).

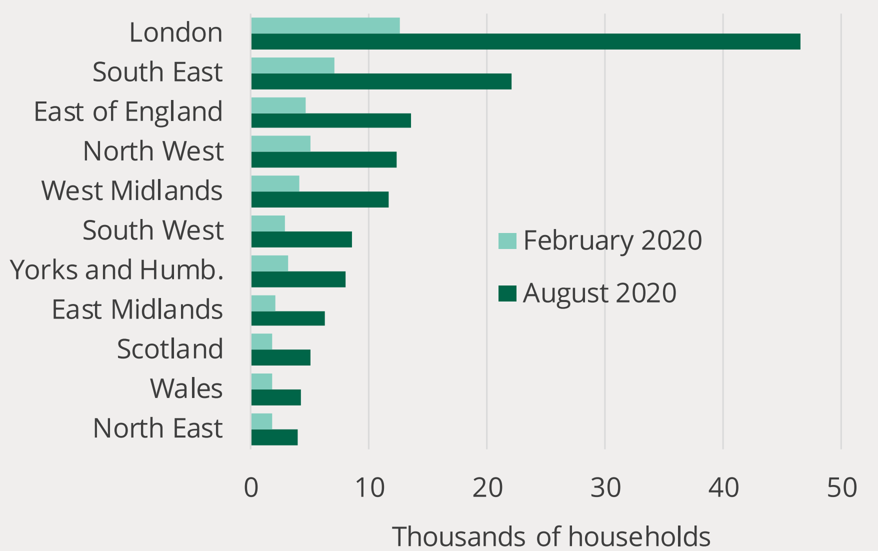
Households subject to the benefit cap, Great Britain



Source: DWP Stat-xplore

The number of households on Universal Credit subject to the benefit cap more than doubled in every country and region of Great Britain between February and August 2020 and in some cases more than tripled. In London, which already had the largest capped caseload, the number of UC-claimant households affected by the cap increased by 270% between February and August, from 12,580 to 46,485. While London accounts for 16% of all households on UC in Great Britain, it accounts for 33% of capped households on UC.[103]

Households on Universal Credit subject to the benefit cap in Great Britain, by country and region

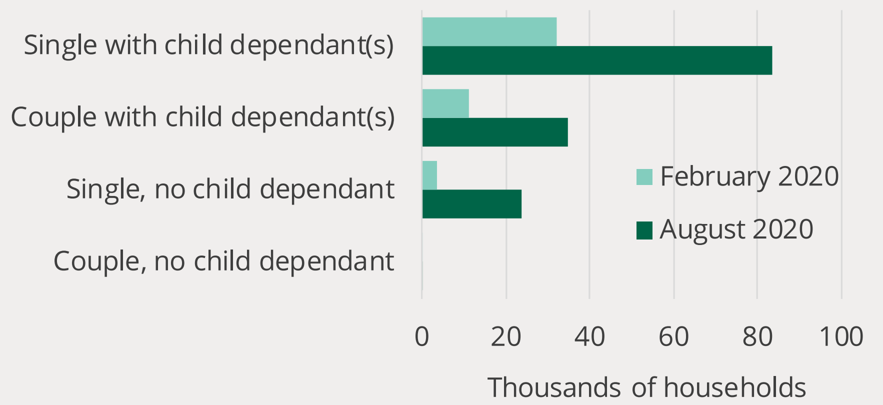


[103] DWP Stat-xplore and Benefit cap statistics on Gov.uk

Source: DWP Stat-xplore

Single-parent households are the household type most affected by the benefit cap in UC, accounting for 59% of all affected households on UC. The number of single parents on UC who were subject to the benefit cap increased from 32,052 in February 2020 to 83,654 in August 2020.[104]

Households on Universal Credit subject to the benefit cap in Great Britain, by family type



The 'two-child limit'

The 'two-child limit' is a controversial policy whereby a household will not receive an additional amount in their UC award for a third or subsequent child born on or after 6 April 2017, unless special circumstances apply.[105]

Organisations such as CPAG have been calling for the removal of the two-child limit in the context of the coronavirus crisis. In briefings published in March and June, it argued that "many families with three or more children who had decent jobs or were running their own businesses are now facing an unprecedented financial crisis that no one could have predicated or planned for".[106]

Along with 50 other representatives of organisations and religious leaders, CPAG wrote a letter to the Guardian on 21 April calling for both the benefit cap and the two-child limit to be removed. It argued that "no parent could have had foresight of Covid-19, and so planned their family size accordingly".[107]

CPAG and the Church of England published a report in May which estimated that 60,000 families would be newly affected by the two-child limit as a result of the coronavirus pandemic, having made a UC claim in the first six weeks of the crisis. It therefore recommended that the Government lift the two-child limit completely, and at a minimum,

104 DWP Stat-xplore and Benefit cap statistics on Gov.uk
105 DWP, Universal Credit: support for a maximum of 2 children: information for claimants, 22 July 2020 (last update)
106 Child Poverty Action Group, Supporting families during the Covid-19 pandemic, 4 June 2020, p3
107 'Universal Credit's two-child limit and the benefit cap must end now', The Guardian, 21 April 2020

suspend it for the duration of the pandemic "to protect families who are making a new claim".[108]

In December, the British Pregnancy Advisory Service (BPAS) published research from a survey of 240 women who had ended a pregnancy during the pandemic (since March 2020) and who already had two or more children. This found that 49% of them were in receipt of UC or tax credits and would therefore be likely to be immediately affected by the two-child limit, and that, of these women, 57% reported that the policy was a "significant factor" in their decision around whether or not to continue the pregnancy. The report therefore concluded that the Government should "revoke the two-child limit as a matter of urgency".[109]

Between April 2019 and April 2020, the number of families on either UC or Child Tax Credit with three or more children decreased slightly (down from 847,930 in April 2019 to 846,240 in April 2020) but the number of these families who were affected by the two-child limit increased by more than half over the same period, from 156,540 in April 2019 to 243,270 in April 2020. This increase was driven mostly by a large rise in UC-recipient families affected by the policy, from 21,690 in April 2019 to 101,090 in April 2020.[110]

In May, the Government said that it has "no plans to suspend the policy to provide support for a maximum of two children".[111] In December 2020 it responded to a Work and Pensions Committee report on the two-child limit from November 2019 (before the 2019 General Election) which had called for the policy to be reversed.[112] In its response, the Government rejected this recommendation, stating that it is "committed to providing a benefit system which is sustainable and fair to claimants, as well as those who support themselves solely through work". It therefore said that it was "fair and proportionate to provide support for a maximum of two children".[113]

5.4 Former legacy benefit claimants who have lost out by claiming UC

Unless exceptional circumstances apply, submitting a claim for Universal Credit will stop any existing award of legacy benefits and tax credits, and the household will be unable to get their previous benefits or tax

[108] Church of England and Child Poverty Action Group, "No one knows what the future can hold": The impact of the two-child limit after three years, May 2020
[109] British Pregnancy Advisory Service, Forced into a corner: The two-child limit and pregnancy decision making during the pandemic, December 2020
[110] HMRC, Child Tax Credit and Universal Credit claimants: statistics related to the policy to provide support for a maximum of 2 children, various editions
[111] PQ 47268, 20 May 2020
[112] Work and Pensions Committee, The two-child limit: Third Report of Session 2019, 3 November 2019
[113] Work and Pensions Committee, The two-child limit: Government Response to the Committee's Third Report of Session 2019, 14 December 2020, p4

credits reinstated. This is the case even if the household is found not to be entitled to UC.[114]

The Work and Pensions Committee heard evidence that, on the advice of Government, some former legacy benefit and tax credit claimants had claimed UC without realising this would stop their existing awards. The Committee noted that while, for most people, Government advice to apply for Universal Credit to get financial support when they have lost their job was sound, for others claiming UC it had "profound and unintended consequences." As part of its survey of benefit claimants during the crisis, the Committee reported cases where people had found themselves worse off on UC than they were on their previous benefits or tax credits, and so would not have made a UC claim if they had they been fully aware of the rules.[115]

In particular, the Committee heard that some former legacy benefit claimants had made UC claims before discovering they were ineligible, leaving them with no financial support. For example, if they had more than £16,000 in savings and had been claiming tax credits (which do not take capital directly into account).[116]

Speaking in the House of Commons on 4 May, Thérèse Coffey stated that she was "very aware of the issue" and that she was "looking very carefully into what changes we could make to address that situation".[117]

While transitional protection will exist for legacy benefit and tax credit claimants whose UC awards are lower than previous awards and who transfer to UC as part of the final 'managed migration' process, this is not available to those who make a new claim for UC as part of 'natural migration'. The DWP says this is because people who transfer to UC through natural migration do so because their circumstances have changed and therefore their previous benefit entitlement is no longer relevant.[118]

The Work and Pensions Committee has argued that an exception should be made for those who have applied for UC in good faith on the advice of Government guidance during the crisis, only to find themselves inadvertently worse off. In their report on the DWP's response to coronavirus, the Committee recommended:

> […] that the Government urgently take steps to return to their pre-existing benefits, or the equivalent financial position, anyone who has inadvertently left themselves worse off by making a claim for Universal Credit during the coronavirus outbreak. It should also restore their entitlement to transitional protection for any future move to Universal Credit by managed migration.[119]

114 More information about these rules can be found on the Revenuebenefits webpage; Universal Credit: Making a universal credit claim.
115 Work and Pensions Committee, DWP 's response to the coronavirus outbreak, 22 June 2020, paras 36-7
116 Ibid.
117 HC Deb 4 May 2020 c431
118 Work and Pensions Committee, DWP 's response to the coronavirus outbreak, 22 June 2020, para. 45
119 Ibid., para. 49

In response to this recommendation, the DWP noted that it was a long-standing feature of UC that a person making a claim "will legally cease any entitlement to legacy benefits and they cannot move back to legacy benefits". Nevertheless, it noted that the Department had been working with HMRC to encourage tax credit claimants to check their eligibility before making a claim for UC, and explain the consequences of doing so for their existing tax credit claim:

> This includes the introduction of a new check-through box before a UC claim can be submitted that reminds claimants to confirm their eligibility and advises them that legacy benefits will end, supported by advice and information about this on understandinguniversalcredit.gov.uk.[120]

5.5 Increasing the generosity of Universal Credit for families

Despite the Government's temporary increase to the standard allowance of Universal Credit, there has been some debate around the adequacy of UC payments as financial support for those who have had to fall back on the benefits system during the crisis.[121] In particular, there has been discussion around how Universal Credit could provide additional support to families with children who are struggling. The Resolution Foundation noted that the increase to the standard allowance of UC did not vary by family size, and so was worth less to families with children than to single adults.[122] Organisations such as the Child Poverty Action Group, and more recently, the Joseph Rowntree Foundation and Save the Children, have called for an increase in the child element of Universal Credit and Child Tax Credit.

In a report published on 4 June, the CPAG called for an increase of £10 a week to the child element of UC, alongside an increase of £10 to Child Benefit payments. It argues that this would give "an extra financial boost… for those families on the lowest incomes to help protect them from poverty".[123] It later reiterated this proposal in a joint report with the Church of England, published on 25 August, which found in a survey of 285 low-income families with children that around 8 in 10 respondents were financially worse off as a result of pandemic.[124]

Similarly, in a joint report published on 17 June, the Joseph Rowntree Foundation and Save the Children reported the findings of a survey of 3,000 families with children claiming UC or Child Tax Credit. It found that 7 in 10 of those polled were cutting back on essentials (such as

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120 Work and Pensions Committee, DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, 8 September 2020, p2

121 See, for example, Wera Hobhouse MP asking the Secretary of State for Work and Pensions whether the UC standard allowance for the over-25s is "enough to live a dignified life": HC Deb 4 May 2020 c431

122 Resolution Foundation, This time is different – Universal Credit's first recession, May 2020, p66

123 Child Poverty Action Group, Supporting families during the Covid-19 pandemic, 4 June 2020, p2

124 CPAG and the Church of England, Poverty in the pandemic: the impact of coronavirus on low-income families and children, 25 August 2020

food, utilities, nappies, and activities for children), 6 in 10 were borrowing money (by using credit cards and pay day loans), and over 5 in 10 were in arrears with their rent payments or other essential bills, such as Council Tax. It therefore recommended a temporary £20 per week increase in the child element of UC and Child Tax Credit until "at least April 2021":

> This is equivalent to £2.85 per child, per day: enough to cover a child's breakfast and lunch, bus fare to get to the supermarket, or a bit more money for the meter so the heating can stay on a little bit longer. Our modelling shows that this would provide support for up to 4 million families and 8 million children.[125]

This recommendation was later backed by the former Secretary of State for Work and Pensions, Stephen Crabb MP, who said it would "help support families, particularly those families who are moving from furlough where they've been getting 80% of their salary, to relying purely on benefits".[126] This proposal was also raised at Prime Minister's Questions on 17 June by Ian Blackford, the leader of the Scottish National Party in the House of Commons, where he argued that it would "prevent millions of families from having to make the choice between paying their bills or feeding their children".[127]

The Prime Minister responded by noting the recent rise in the standard allowance of UC and said that he was "fully aware that there will be tough times ahead and we do stand by to do more where we can".[128]

In October 2020, the Institute for Public Policy Research and the Trades Union Congress (TUC) published a joint report which called for an "urgent uplift" of social security support for children, to limit the damage of the coronavirus pandemic. Specifically, this called for a "family stimulus" either by doubling Child Benefit (increasing it by £21.30 per week for the first child and £14.15 for subsequent children), or increasing the child element of UC and Child Tax Credit by £20 a week per child and removing the two-child limit. This, it claimed, would bring 700,000 children out of poverty and "inject £14 billion into the economy". It also estimated that the costs of these UC and Child Tax Credit changes would amount to £7.5 billion, and that the doubling of Child Benefit would costs £10 billion.[129]

The Minister for Welfare Delivery, Will Quince, had previously noted in answer to a written parliamentary question on 22 May that the child element of UC had already increased in April as part of the annual uprating of benefits.[130] This refers to the fact that benefits and tax

125 Joseph Rowntree Foundation and Save the Children, A lifeline for our children: Strengthening the social security system for families with children during this pandemic, 17 June 2020, p18
126 "Sooner or later the Conservative Party must talk about poverty", The Times Red Box, 25 June 2020; "Tory MP Stephen Crabb calls for universal credit increase for families", BBC Wales News, 25 June 2020
127 HC Deb 17 June 2020 c799
128 Ibid.
129 IPPR and TUC, A family stimulus: Supporting children, families and the economy through the pandemic, 26 October 2020
130 PQ 46695, 22 May 2020

credits which are linked to inflation rose by 1.7% in April 2020 (for the 2020/21 financial year), marking the end of the four-year freeze.[131]

5.6 Retaining the temporary uplift in UC and WTC beyond April 2021

The increase of the Universal Credit standard allowance and the Working Tax Credit basic element by £1,000 per year is currently expected to last until April 2021 – the Government has given no commitment to maintain the increase beyond this date. Will Quince, the Minister for Welfare Reform, noted in May that the funding had been secured from the Treasury for 12 months, but that it would be kept "under review".[132]

Members of Parliament from various political parties subsequently called for this uplift to be extended or made permanent. In August, former Secretary of State for Work and Pensions Stephen Crabb called on the Government, amongst a variety of other things, to make this uplift permanent, arguing that its removal would "amount to a painful cut in income for many people still struggling to come to terms with the loss of their job and who have found the transition from furlough to benefits a very hard landing indeed".[133] In September, both the Treasury Committee and the Work and Pensions Committee also raised this issue: the Treasury Committee called on the Government to "consider extending" the uplift,[134] while the Work and Pensions Committee recommended that the uplift should be maintained "with annual inflation-based increases thereafter".[135]

Subsequently, various campaigning organisations made similar calls to retain the uplift in UC and WTC, and in some cases to extend them to other 'legacy benefits' which were not increased in March 2020. The Joseph Rowntree Foundation coordinated an open letter in September calling on the Chancellor to "keep the lifeline", signed by a number of charities, campaigning organisations, and religious figures.[136]

The Resolution Foundation argued against what it characterised as "death by £1,000 cuts", comparing the reductions in household income that would result from removing the temporary increases with cuts to tax credits proposed in 2015. It pointed out that, whereas in 2015 3.3 million working families had been expected to lose £1000 a year on average, from April 2021 6 million households were at risk of seeing their incomes reduced by £20 a week. It noted that "today's planned

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131 See Commons Library briefing CBP-8806, Benefits Uprating 2020, 2 April 2020.
132 HC Deb 11 May c4
133 'My Government must to more to help working poor cope with Covid', Huffington Post, 30 August 2020
134 Treasury Committee, Eighth Report: Economic impact of coronavirus: the challenges of recovery, 11 September 2020, para. 80
135 Work and Pensions Committee, Universal Credit: the wait for a first payment, 19 October 2020, para. 122
136 Joseph Rowntree Foundation, Joint open letter to The Chancellor - Keep the lifeline, 30 September 2020

cut, at around £8 million, is therefore over twice as big as the £3.4 billion George Osborne intended (£3.7 billion in 2021-22 money)".[137]

The Government is yet to make a final decision on the future of the uplift. In September 2020, when giving evidence to the Work and Pensions Committee, the Secretary of State indicated that it was under review and the subject of discussions between the DWP and the Treasury:

> Mr Chairman, you will be aware it was a one-year measure, which the Chancellor thought was a sensible part of the way that we injected a further £9.4 billion into welfare support for people in this difficult time. That legislation does automatically come to an end, but I will be open with you—what we continue to do with welfare support is still in active discussion with the Treasury.[138]

She revealed, when answering questions in the House of Commons on 9 November 2020, that these "ongoing" inter-departmental discussions were continuing.[139]

A report in The Times on 7 November suggested that "Rishi Sunak is expected to bow to pressure to extend a £20-a-week increase in universal credit for six million people". It reported that this was "likely to be announced in the budget next year" and that the Chancellor of the Exchequer and the Prime Minister had agreed this "in principle". However, it also said that "no final decision had been made" and quoted a Treasury source in saying "we need to see how the economy is doing next year before coming to a final decision".[140]

As noted in section 4 of this paper, the Secretary of State revealed subsequently, on the same day as the 2020 Spending Review on 25 November, that an assessment of the uplift would be made in the new year, taking into account the "economic and health context".[141] In response, Stephen Timms, chair of the Work and Pensions Committee, noted that UC claimants "are now facing the Christmas period in agonising uncertainty, not knowing whether the Government will cut their income by £20 a week next April".[142]

Similar sentiments were expressed soon after in a public statement, signed by over 60 charities, welfare rights groups, and religious figures, and coordinated once again by the Joseph Rowntree Foundation. This called for the Government to make the uplift permanent and extend it to legacy benefits.

> By doing this, they can keep doing the right thing, keep families afloat and strengthen our social security system so it provides the public service we can all turn to when we hit hard times.[143]

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137 Resolution Foundation, Death by £1,000 cuts, 2 October 2020
138 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, HC 178, 30 September 2020, Q210
139 HC Deb 9 November 2020 c647
140 'Sunak and Johnson agree to extend universal credit boost', The Times, 7 November 2020
141 HCWS600, 25 November 2020
142 'Chair comments on the Spending Review', Work and Pensions Committee press release, 25 November 2020
143 'Coalition warns it would be a terrible mistake to cut the £20 uplift to Universal Credit', Joseph Rowntree Foundation press release, 29 November 2020

In its response, published on 12 January, to the Work and Pensions Committee's aforementioned recommendation to make the uplift permanent, the DWP reiterated the Secretary of State's statement from November, noting that a decision would be made at the "appropriate fiscal event".[144] In answer to a question on this topic in the House of Commons on 11 January, the Chancellor of the Exchequer noted that "future tax and welfare decisions will rightly be made at the Budget".[145]

It therefore remains to be seen how the Government will take this forward. The challenges relating to this decision, in terms of the cost and the impact of retaining the uplift or allowing it to expire, are explored in the next section of this paper.

[144] Work and Pensions Committee, Universal Credit: the wait for a first payment: Government Response to the Committee's Third Report, 12 January 2021, p8
[145] HC Deb 11 January 2021 c34

6. What further challenges does coronavirus pose for Universal Credit?

Most of the social security measures taken in response to the crisis are not expected to be permanent.[146] Nevertheless, the ongoing public health crisis created by coronavirus, and its economic consequences, may continue to pose challenges for Universal Credit.

For new working-age claimants, UC remains the main safety net benefit in the UK, but it was also designed to support and incentivise benefit claimants into work. In the context of the early stages of the coronavirus pandemic, however – in which various sectors of the economy were closed – the features of UC which require claimants to look, or prepare for, work were suspended, with the emphasis on supporting and protecting household incomes by ensuring people receive more generous UC payments. In doing so, it has been argued that, for a period at least, UC became "a rather different animal" from the benefit it was originally designed to be.[147]

It is unclear how long some these differences will remain in place, given that the Government has stated its intention not to change fundamentally any of the basic principles underlying the benefit, and given that some of the measures taken earlier in the crisis (such as the suspension of conditionality) have now been withdrawn. Looking forward, it is expected that Universal Credit will be a key part of any Government plan for economic recovery and that it will need to adapt to the new economic environment. The House of Lords Economic Affairs Committee noted the following in its July 2020 report on Universal Credit:

> 14. The hardest challenges for the DWP lie ahead. Unemployment could increase substantially over the coming months. The shape of the labour market may change forever. Business and labour groups have warned that young people in particular are vulnerable. The social security system alone should not be expected to solve these systemic problems, which we were told would require large-scale and cross-Whitehall intervention. Nevertheless, Universal Credit will be an important part of a wide-ranging policy response to the crisis and the Government has already changed how the benefit operates to strengthen the safety net.[148]

Universal Credit faces long-term challenges posed by the economic effects of the coronavirus crisis, including how it can continue to provide income support and protection, as well as how it is able to support benefit claimants back into an uncertain labour market. The

[146] See CBP-8973, Coronavirus: Withdrawing crisis social security measures, 13 August 2020
[147] Fran Bennett, Coronavirus – the making or the unmaking of Universal Credit, University of Bath Institute for Policy Research blog, 6 April 2020
[148] House of Lords Economic Affairs Committee, Universal Credit isn't working: proposals for reform, 31 July 2020, para. 14

DWP has yet to announce how it plans to complete the final 'managed migration' stage of the full caseload rollout of Universal Credit given that its 'Move to UC' pilot continues to be suspended.

6.1 The 'safety net' of income support and protection

UC after the closure of the CJRS and the SEISS

Universal Credit's ongoing role as the main safety net for new claimants is likely to gain further prominence in 2021. This is because the Government has already announced that the Coronavirus Job Retention Scheme (CJRS) and the Self-employment Income Support Scheme (SEISS) are due to close in April 2021.[149]

Both schemes have served to alleviate pressure on Universal Credit and the wider benefits system, with 9.9 million employee jobs being furloughed since the CJRS went live on 20 April, and self-employed people have made 6.8 million claims for SEISS grants since the first tranche opened for applications in May.[150] It is difficult to predict exactly how the closure of these schemes will affect the benefits system, but the various scenarios outlined by the Office for Budget Responsibility (OBR) in its Economic and Fiscal Outlook published on 25 November 2020, assume that the closure of these schemes in April will result in a significant rise in unemployment.

The OBR's 'upside scenario' has the unemployment rate peaking at 5.1% as the CJRS closes in Spring of 2021; its 'central scenario' has the unemployment rate peaking at 7.5% in the second quarter of 2021; and its 'downside scenario' has the rate peaking at 11% where it assumes a third wave striking in the winter of 2021. These are more optimistic scenarios that those published by the OBR in its Fiscal Sustainability Report in July. Nevertheless, in their central economic forecast they project that the unemployment rate will be 6.8% in 2021 and 6.5% in 2022, up from 4.4% in 2020.[151]

In addition, the Treasury's December 2020 survey of independent forecasts for the unemployment rate showed an average forecast of 5.9% for Quarter 4 2020 and 6.7% for Quarter 4 2021.[152]

The Resolution Foundation has predicted that following the end of the CJRS, the DWP should expect "significant claims for UC" from those who have been furloughed and do not return to their previous jobs.[153]

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149 Commons Library briefing CBP-8880, FAQs: Coronavirus Job Retention Scheme, 17 December 2020; Commons Library briefing CBP-8879, Coronavirus: Self-Employment Income Support Scheme, 10 December 2020
150 Commons Library briefing CBP-8898, Coronavirus: Impact on the labour market, 18 December 2020. CJRS and SEISS figures are as of midnight on 13 December 2020.
151 OBR, Economic and Fiscal Outlook – November 2020, 25 November 2020
152 HM Treasury, Forecasts for the UK economy publication, 16 December 2020
153 Resolution Foundation, This time is different – Universal Credit's first recession, May 2020, p53

The temporary increase in UC payments

As noted in section 5.6 of this paper, the Government has given no commitment to maintain the temporary uplift of the UC standard allowance and the WTC basic element by £20 a week beyond April 2021. As part of the public debate surrounding this, there has been discussion of impact of allowing this support to expire, as well as the costs of retaining it.

In its response to the 25 November Spending Review, the Joseph Rowntree Foundation estimated the impact removing the uplift from April 2021 would have:

> Our new modelling shows that if the lifeline of the £20 uplift to Universal Credit is whipped away in April, 6.2 million families will see an overnight loss of £1,040 next year and around half a million more people, including 200,000 children, will be pulled into poverty.[154]

Several organisations have published analysis focusing on the impact on households of retaining or reversing the benefit increases. In its October 2020 'Green Budget', the Institute for Fiscal Studies (IFS) used its tax-benefit microsimulation model to estimate impact of the uplift on household types and income deciles.

> Not surprisingly, the policy is clearly progressive: on average, it increases the income of the poorest 10% of households by 5%, with a fairly rapidly declining impact on each decile above that.[155]

In January 2021, Citizens Advice described the uplift as "one of the government's most successful pandemic policies" and noted the impact that the withdrawal of the temporary increases might have on people they help with debt problems who rely on benefits for some or all of their income.

> At Citizens Advice, we've helped over 300,000 people with a Universal Credit issue since then. Most striking has been the impact for those we've helped who have a 'negative budget' — people whose necessary outgoings exceed their income. They look at their bank balance at the end of the week and they simply don't have enough to make ends meet.
>
> One of the main factors holding back financial ruin for many of these families is the uplift. If it was removed, we'd be seeing a much higher rate of Universal Credit and Working Tax Credit claimants not being able to afford basic necessities — increasing from 43% to 75%.[156]

The Resolution Foundation provided a distributional analysis outlining estimated income losses for richer and poorer households of withdrawing the uplift:

> [The] increase helped to offset – at least on average – the initial fall in incomes caused by the labour market effects of the virus for the lowest-income households. Now, the Government risks

154 Joseph Rowntree Foundation, Spending Review: No plan to protect people in poverty, 26 November 2020
155 Institute for Fiscal Studies (IFS), The temporary benefit increases beyond 2020-21, 9 October 2020
156 Citizens Advice, The Chancellor has an important decision to make – he must keep the lifeline, 15 January 2020

> undoing this protection for the poorest families at a time when they need it most.
>
> […]
>
> This benefits increase, costing £7 billion this year, is an expensive policy. But the case for continuing with it is very strong. The cut to UC this coming April will see over six million families worse off by £1,000 per year – that is almost twice the number of families that would have been affected by the, eventually reversed, tax credit cuts planned for 2016. […] our current forecast [is] that poorest families will suffer a huge 7 per cent fall in income if the £20 per week increase is removed in April.[157]

Estimates of the cost of the uplift this year (2020-21)

In their November 2020 Economic and fiscal outlook, the Office for Budget Responsibility (OBR) estimated a cost of £8.3 billion for the Government's coronavirus related welfare support measures in 2020-21, £6.1 billion of which is accounted for by the uplift to UC and WTC:

> Welfare spending measures have contributed £8.3 billion to the overall cost of virus-related support measures in 2020-21 and £12.9 billion in total over the forecast period:
>
> - The largest measure is the temporary £20 a week increase in the standard allowance of universal credit (UC). This costs £4.6 billion in 2020-21, which is £0.9 billion lower than we assumed in the FSR [Fiscal Sustainability Report], reflecting the smaller rise in the UC caseload than we assumed then. The possibility that this measure (and its equivalent in tax credits) is extended rather than being withdrawn next April poses a risk to our spending forecast.
> - The increase in the basic element of working tax credits (WTC) by the equivalent of £20 a week costs £1.5 billion in 2020-21, similar to our FSR estimate. The £20 additional earnings disregard in housing benefit measure ensures the majority of WTC claimants do not lose housing benefit as a consequence of their higher WTC awards.[158]

The report goes on to provide costings for other coronavirus crisis-related welfare measures.[159]

Estimates of the costs of maintaining the uplift after the 2020/21 tax year

The House of Commons Library estimates that the total cost of continuing the Universal Credit £20 per week uplift and the corresponding £20 per week uplift to Working Tax Credit (WTC) basic element in 2021/22 (rather than allowing them to expire in April) would be around £5.8 billion.[160]

The Institute for Fiscal Studies Green Budget from 9 October 2020 included a chapter on the temporary benefit measures beyond 2021,

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157 Resolution Foundation, Safe harbour? Six key welfare policy decisions to navigate this winter, 7 October 2020

158 OBR, Economic and Fiscal Outlook – November 2020, 25 November 2020, p178

159 Ibid., pp178-9

160 House of Commons Library analysis using the UKMOD microsimulation model (version A2.0+, developed by the Institute for Social and Economic Research (ISER) at the University of Essex) and data from the Family Resources Survey

including the temporary uplifts as well as the suspension of the Minimum Income Floor (MIF). Their analysis found:

> Choosing instead to make the increase in the standard allowance permanent would, in the long run, cost the government £6.6 billion per year (in today's prices), adding roughly 10% to the annual cost of UC, though undoing only a fraction of the cuts to benefits implemented since 2010. This would represent a bigger increase to the entitlements of out-of-work claimants without children than has been seen over the whole of the past 45 years. Nonetheless, the UK's system of support for out-of-work claimants would remain very thin by international standards.[161]

It should be noted here that "in the long run" refers to a situation in which Universal Credit has been fully rolled out, with all legacy benefit claimants having moved to UC, and where "the labour market will look similar to its pre-crisis state in terms of the distribution of earnings across different types of individuals." This means that the costing accounts for any increase to WTC beyond April 2021 only insofar as many of those claimants will ultimately be on UC, and does not account for economic disruption which might continue into the next financial year.

The Joseph Rowntree Foundation has also costed their policy recommendations of retaining the uplifts and extending them to legacy benefits. It found:

> Our new estimates suggest keeping this lifeline for families on UC/WTC will cost around £6.4 billion in 2021/22, in line with the OBR's latest costing of £6.2 billion, and a further £1.9 billion to extend it to legacy benefits. The legacy benefit cost will fall over the coming years as most people on legacy benefits migrate to UC, but for families struggling to stay afloat, the need is urgent.[162]

The actual costs will vary significantly dependent on uncertain economic conditions and benefit caseloads.

Universal Credit and Working Tax Credit rates

The announced rates of Universal Credit standard allowances and WTC basic element from April 2021 onwards are based on the original (pre-uplift) values for 2020/21, plus a 0.5% inflation-linked increase in line with the Consumer Prices Index (September 2020).

The announced rates for 2021/22 are between 14% and 34% lower than the uplifted values of these payments in 2020/21, as shown below:

161 IFS, The temporary benefit increases beyond 2020-21, 9 October 2020
162 Joseph Rowntree Foundation, Spending Review: No plan to protect people in poverty, 26 November 2020

Universal Credit standard allowances and Working Tax Credit basic element

	2020/21		2021/22	% change, 2020/21 to 2021/22	
	original, pre-uplift	with uplift	announced		
Universal Credit standard allowances	£ per month	£ per month	£ per month	vs 2020/21 original	vs 2020/21 with uplift
Single under 25	256.05	342.72	257.33	+0.5%	-24.9%
Single 25 or over	323.22	409.89	324.84	+0.5%	-20.7%
Joint claimants both under 25	401.92	488.59	403.93	+0.5%	-17.3%
Joint claimants, one or both 25+	507.37	594.04	509.91	+0.5%	-14.2%
Working Tax Credit	£ per year	£ per year	£ per year	vs 2020/21 original	vs 2020/21 with uplift
Basic element	1,995	3,040	2,005	+0.5%	-34.0%

The full list of benefit and tax credit rates for 2021/22 as announced by the Government at the end of 2020 are available here:

- DWP, Benefit and pension rates 2021 to 2022 on Gov.uk
- HM Treasury, Proposed Child and Working Tax Credits, Child Benefit and Guardian's Allowance Rates 2021-22, Deposited paper DEP2020-0811

The Minimum Income Floor

Following its extension in November 2020, the suspension of the Minimum Income Floor (MIF) for self-employed UC claimants is also scheduled to expire, at the end of April 2021. The Resolution Foundation has called the MIF "wholly inappropriate during the current crisis", and that its suspension has equalised "the treatment [by UC] of employees losing jobs and self-employed people whose work has dried up".[163] The IFS has calculated that abolishing the MIF entirely would cost £1.4 billion annually in the long run – although it recommend that instead of doing this, the Government should adopt a cap based on a 12-month rolling average of earnings.[164]

In their review of the Government's social security measures during the coronavirus crisis published in November, the Social Security Advisory Committee (SSAC) noted that "self-employed claimants will need to be able to plan for any re-introduction of the MIF". It recommended that any reintroduction of the MIF should be "phased" with "advanced notice" of at least one month".[165]

The OBR also notes that welfare measures which have the potential to create "cash losers" – such as the withdrawal of the UC and WTC

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[163] Resolution Foundation, This time is different – Universal Credit's first recession, May 2020, p43

[164] IFS, The temporary benefit increases beyond 2020-21, 9 October 2020

[165] Social Security Advisory Committee, A review of the COVID-19 temporary measures: occasional paper 24, 18 November 2020

uplift, as well as the reintroduction of the MIF – have in the past "frequently been reversed, delayed or diluted".[166]

6.2 Employment support and conditionality in a challenging labour market

As noted elsewhere in this paper, the DWP's priority in Universal Credit earlier in the pandemic was on supporting and protecting incomes by processing the huge number of new claims and making sure all claimants received more generous payments on time. ın recognition of this, and the impracticality of imposing work-related requirements when certain sectors of the economy were closed, the DWP redeployed staff away from the labour-intensive claimant commitment process and suspended temporarily the conditionality and sanctions framework.

As the number of new Universal Credit claims declined from the peak in late March, and as lockdown measures throughout the UK were eased, the DWP gradually began to reintroduce conditionality from July. Staff who had been redeployed to help process new claims in March and April have returned to their previous jobs to help claimants get back into work. Neil Couling, the Change Director General and Senior Responsible Owner for Universal Credit at the DWP, told the Work and Pensions Committee at the end of April that the Department's next task was to "disengage the emergency support we have put in place and replace that with recruited staff and get the people who were doing important jobs before the pandemic back to doing those important jobs". He said that this would be a substantial task: "as big as the UC rollout".[167]

DWP plans for employment support and conditionality

Given the much higher Universal Credit caseload as a result of coronavirus, the DWP has received additional resource to help support claimants back into work and reintroduce work-related requirements. As part of the Government's 'Plan for Jobs', launched on 8 July, the Chancellor announced that the Department would receive an additional £895 million "to enhance work search support" by doubling the number of work coaches across Great Britain before the end of the 2020/21 financial year.[168] Neil Couling has stated subsequently that the Department plans to hire 4,500 new work coaches by the end of October[169], and it plans to recruit 13,500 in total by the end of the financial year.[170] The 'Plan for Jobs' also includes employment support measures relating to UC, such as:

- A Kickstart scheme that will provide funding towards the wages of 16-24 year olds on Universal Credit;

166 OBR, Economic and Fiscal Outlook – November 2020, 25 November 2020, para. 3.94
167 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, 23 April 2020 Q118
168 HM Treasury, Plan for Jobs, July 2020, p9
169 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q232
170 PQ 73857 22 July 2020

- Expanded intensive support offered in Great Britain to young jobseekers so as to include all those aged 18-24 in the Intensive Work Search group in Universal Credit; and
- Various other measures to support young people find work, such as extra funding for Jobcentre employment support programmes (including sector-based work academies, the Work and Health Programme, and the Flexible Support Fund).[171]

In October 2020, the Government launched 'Job Entry Targeted Support' (JETS), which provides support for people who have been out of work for three or more months. Describing the scheme in the House on 19 October, the Minster for Disabled People, Health and Work said:

> The scheme has £238 million of funding that is dedicated to helping people who have been out of work for three or more months and may be at risk of long-term unemployment. JETS will see a variety of providers work at our local jobcentre networks to offer a range of bespoke services, including important advice on how people can move into new, growing sectors, as well as help with CV building and interview coaching.
>
> […]
>
> The JETS scheme started two weeks ago and is now live right across England and Wales, and we are contracting anew in Scotland. We anticipate that as JETS continues to roll out across Great Britain, it will help 280,000 of our claimants to find work and build the skills to pivot into new sectors if required.[172]

The Chancellor of the Exchequer provided detail on the spending on new DWP staff and schemes in the 25 November 2020 Spending Review. He also announced £2.9 billion over the next three years for a "Restart Programme that will provide intensive and tailored support to over 1 million unemployed people and help them find work, with approximately £0.4 billion of funding in 2021-22."[173] The programme would go live in Summer 2021, and the commercial process would begin in December with contracts awarded in Spring 2021.[174]

From July 2020, alongside the reintroduction of conditionality, the DWP began reopening Jobcentres, with the aim, as expressed by Thérèse Coffey, to begin a "return to normal" in order to "help people to get ready again for the world of work". It is nevertheless taking a "phased approach" in recognition of "prevailing circumstances including COVID restrictions", and will allow local staff to take decisions on work-related conditionality and sanctions.[175]

In August 2020, the Social Security Advisory Committee announced that it would be conducting a review of changes to social security benefits following the first lockdown. As part of this, it is conducting a project with three areas of concerns, the first of which is to "understand how the reintroduction of conditionality will work, particularly as it applies to

[171] Further information on these employment support measures can be found in Commons Library briefing paper CBP 8965, Coronavirus: getting people back to work, 11 December 2020
[172] HC Deb 19 October 2020 c735
[173] HM Treasury, Spending Review 2020, 25 November 2020
[174] PQ 122679, 3 December 2020
[175] PQ 68348 7 July 2020

work search and availability".[176] This reported in November 2020 and emphasised the importance of conditionality being flexible in response to individual and local circumstances. It recommended that this should include further support for work coaches, and that the DWP "publish strategic policy guidance on what the appropriate flexibilities should be that work coaches can then implement through local discretion."[177]

As noted in section 4.3, following the announcement of the third national lockdown in England, the Government has stated that it has "no plans to reintroduce the suspension of conditionality and related sanctions", although it will ensure that claimant commitments are "reasonable for claimants' circumstances" and that they allow them to comply with public health guidance.[178]

The Public and Commercial Services (PCS) Union, which represents many DWP staff, has consistently opposed the reintroduction of conditionality since July. Following the announcement of the third national lockdown in England, on 7 January PCS called for the suspension of all conditionality and sanction activity noting that the DWP's priority should be "to get payments made to those who rely on the benefit system for financial support".[179]

Challenges presented by social distancing

The Department's usual practices for supporting benefit claimants back into employment may be hindered while public health measures to prevent the spread of coronavirus remain in place. In a blog in May 2020, the social policy commentator, Nicholas Timmins, discussed the difficulties faced by the DWP: "Just how, and when, and where, and at what scale can UC work coaches once again engage with claimants to help and cajole them back into work?".[180]

Neil Couling has also noted that social distancing is a "complicating factor" which restricts the DWP's room for manoeuvre in its strategy for the current crisis as compared with plans it developed for previous recessions. He has stated that the Department will have to use more digital means to support claimants into work, and that it plans a staged process to allow Jobcentres to provide the support for the newly unemployed within social distancing rules.[181]

The PCS Union has consistently expressed concerns about the ability of its members to work safely with Jobcentres open to the public.[182]

176 Social Security Advisory Committee (blog), Rapid review of post-lockdown changes to social security benefits, 6 August 2020
177 Social Security Advisory Committee, A review of the COVID-19 temporary measures: occasional paper 24, 18 November 2020
178 PQ 135959, 14 January 2020
179 'Covid Update – PCS demands response from DWP', PCS press release, 6 January 2021
180 Institute for Government blog (Nicholas Timmins), Credit where it is due: Universal Credit during the coronavirus lockdown, 4 May 2020
181 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q80 and Q118
182 'Extended hours in jobcentres and UC services centres – urgent advice to members', PCS news release, 12 August 2020

Immediately prior to the announcement of the national lockdown in England in January 2021, it requested that:

> In light of the expected national lock down all Jobcentres, as a minimum, should immediately operate to the successful model introduced April-July, with offices being open to only the most vulnerable for face to face appointments.[183]

It also requested that all other planned face-to-face activity be suspended "until further notice".[184]

As noted in section 4.1 of this paper, the DWP subsequently issued new guidance allowing Jobcentres to remain open, but only for those who need extra support and are "unable to interact with us on the phone or digitally".[185]

Challenges presented by a weakened labour market

Questions have been raised about the availability of work during and after the pandemic. In its Fiscal Sustainability Report in July, the OBR speculated that the number of people moving from furlough to unemployment, in addition to prompting a debate around the generosity of UC rates, could also lead to calls for "more spending on active labour market policies".[186]

Nicholas Timmins has questioned what job-search requirements can be expected of claimants during the pandemic, given the impact on certain sectors of the economy, including hospitality and retail.[187] Mims Davies, the Minister for Employment, has recognised this as a problem given that these are sectors traditionally used by the DWP to "pivot people back into jobs", but has noted there are vacancies in other sectors, including care, agriculture, logistics, and delivery.[188] Similarly, the Resolution Foundation has argued that the UK's high-turnover jobs market means that many opportunities for work remain available, even as economic activity remains constrained, and has cautioned that "there are negative behavioural effects from workless people being out of the job-search habit for too long".[189]

The Resolution Foundation has argued that in the years prior to the crisis, during a period of record employment, the DWP reduced its capacity to provide advice for employment support activities, preferring to focus on the 'stick' of conditionality rather than the 'carrots' of work-search assistance and work-preparation activities. It has called for the DWP to "devise a new suite of active labour market programmes for UC recipients appropriate for the scale of the current challenge", including an expanded offer of training, advice, and guidance, and to do this in

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183 Covid Update – PCS demands response from DWP', PCS press release, 6 January 2021
184 Ibid.
185 DWP, Jobcentre guidance on new national COVID restrictions, 6 January 2021
186 OBR, Fiscal Sustainability report – July 2020, 14 July 2020, para. 5.41
187 Institute for Government blog (Nicholas Timmins), Credit where it is due: Universal Credit during the coronavirus lockdown, 4 May 2020
188 Work and Pensions Committee, Oral evidence: DWP's response to the coronavirus outbreak, 23 April 2020, Q118
189 Resolution Foundation, This time is different – Universal Credit's first recession, May 2020, p54

collaboration with local government, charities, housing associations, and the wider recruitment and employment services sector.

Tony Wilson, the Director at the Institute for Employment Studies, told the Work and Pensions Committee's inquiry on the DWP's response to coronavirus that it will take time to put effective employment programmes in place – perhaps six to nine months before they get started.[190] He also argued that the DWP should expect to work with a series of stakeholders, noting that current spending on contracted employment support is about £200 million a year, whereas in 2010 "at the height of the last recession, the Government were spending £2.4 billion in today's money".[191]

The Work and Pensions Committee believes that a 'one-size-fits-all' approach to supporting the increased number of unemployed people back into work will not be effective given that "a range of groups will be affected differently". It recommended that the DWP should:

> …tailor its employment support to meet the differing needs of these groups, with a particular focus on: young people, people with caring responsibilities, older workers, disabled people and people previously on lower pay.[192]

More broadly, the Work and Pensions Committee noted that the DWP has three plans for dealing with the crisis facing the UK labour market, including a pandemic flu plan and an economic downturn plan. The Committee stated that the DWP had refused to share these plans with the them as part of their inquiry, which they criticised in their report.[193]

The Government response, published in September 2020, noted that "the sensitivity of these plans means that it is standard practice across Government not to share these externally, including with the Committee":

> The Committee can be assured that the plans helped us with our overall priorities in response to a significant disruption, options on how to operate the department with different levels of staff absence and preparation for an increase in demand of our services beyond our normal resourcing levels.[194]

It further highlighted its 'Plan for Jobs', a "wide-ranging package of labour market support worth up to £30bn" and noted that it had "actively engaged with business, the third-sector with wider stakeholders throughout the emergency response, and we continue to do so".[195]

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190 Work and Pensions Committee, DWP's response to the coronavirus outbreak, 22 June, para. 309
191 Ibid., para. 316
192 Ibid., para. 307
193 Ibid., para. 296-9; Correspondence between Work and Pensions Committee and Secretary of State for Work and Pensions about DWP's business continuity plans, 15 May 2020
194 Work and Pensions Committee, DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, 8 September 2020, pp11-12
195 Ibid.

In the Spending Review in November 2020, the Chancellor announced that the Government would provide labour market support worth £2.6 billion in 2021-22.[196]

In December 2020, the House of Lords Economic Affairs Committee published its report on Employment and Covid-19. This urged the Government to focus spending on more tightly focused policies to create job opportunities to avoid an unemployment crisis. With regard to Universal Credit in particular, the report recommended that the Government "bolster" the benefit so that it can act both as a safety net and a source of "strong employment support" so that "it is able to meet the demands of the labour market crisis".[197] The Chair of the Committee, Lord Forsyth, noted:

> The sectors with jobs that historically lead labour market recoveries – hospitality, retail and leisure – have been flattened. They are likely to be in a worse state in the spring when wage support ends. Unemployment will spike.
>
> The Government is sleepwalking into an unemployment crisis. The Chancellor needs to get ahead of the curve to avoid being in the same position as he was in the autumn. He needs a strategy urgently for what comes next and this report sets out a comprehensive plan to save the prospects of a generation of young people.[198]

6.3 Completing the caseload rollout of Universal Credit

The coronavirus crisis has added greater uncertainty to the already delayed timetable for completion of the Universal Credit project. The DWP's 'Move to Universal Credit' pilot in Harrogate, which was testing approaches to the 'managed migration' of all remaining legacy benefit and tax credit claimants to Universal Credit with up to 10,000 claimants, remains suspended. The pilot commenced on 24 July 2019, and on 28 January 2020 the Minister for Welfare Delivery, Will Quince, informed the House of Commons that "just under 80" claims were being processed, with "around 13" legacy benefit claimants having moved to UC as part of the programme.[199]

On 3 February, the Department announced that it had revised its forecast for completing the full caseload rollout of UC from December 2023 to September 2024.[200] On 11 March, a few weeks before the 'Move to UC' pilot was suspended due to the coronavirus outbreak, the OBR published its Economic and Fiscal Outlook in which it forecast that the full rollout of UC would be completed by September 2026 – two

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196 HM Treasury, Spending Review 2020, November 2020, p85
197 House of Lords Economic Affairs Committee, Employment and COVID-19: time for a new deal, 14 December 2020, para. 86
198 'New job creation plan needed to prevent New Year spike in unemployment', House of Lords Economic Affairs Committee press release, 14 December 2020
199 HC Deb 27 January 2020 c521
200 Letter from Thérèse Coffey to Stephen Timms, 3 February 2020 (DEP2020-0049). This was reported by the BBC in a documentary entitled 'Universal Credit' Inside the Welfare State': 'Universal credit rollout delayed again – to 2024', BBC News, 3 February 2020.

years later than the DWP's revised assumption. This decision reflected both "the accumulated experience of the past seven years" and the greater emphasis in recent ministerial statements around deliberately slowing the pace of managed migration to "protect the interest of moving claimants".[201]

Since it suspended the 'Move to UC' pilot temporarily on 30 March, the Department has only commented periodically to confirm that the suspension is still in place.[202] It has not indicated when it expects the suspension to be lifted and what effect, if any, it may have on its forecast for when it expects to complete the UC caseload rollout. Before the suspension, the DWP had been due to provide an update on the pilot in the Spring of 2020, and after that to set out an evaluation strategy before Parliament in the Autumn, which would include proposals for the next phase of managed migration.[203]

In July, the OBR noted that the number of individuals on UC is now up 75% since March, and that many of these new claimants will have transferred to UC from legacy benefits and tax credits (through 'natural migration') due to experiencing a change in circumstances.[204] This should leave fewer individuals to move to UC by managed migration, which may be significant given one of the reasons provided by the DWP for revising its forecast for the completion of UC rollout in February was that fewer people were transferring via natural migration than it had expected.[205] On the other hand, the OBR also speculated that the higher caseload might mean the Department has less capacity to migrate the remaining legacy benefit and tax credit cases.[206]

Giving evidence to the Public Accounts Committee on 16 November, HMRC officials noted that given the suspension of the 'Move to UC' pilot, there would have to be a "re-plan" and that ultimately the completion of managed migration to UC from legacy benefits and tax credits by September 2024 was now "not likely":

> The managed transition of customers has been deferred, because the Department for Work and Pensions obviously have seen a very significant increase in the number of universal credit claimants and therefore they are focusing all their resources on managing those new customers. In the meantime, the planned migration of the remaining tax credit customers to UC is on hold, and we do not have a re-planned date for that. It was scheduled, we had been advised, for September 2024, but that is now not likely.[207]

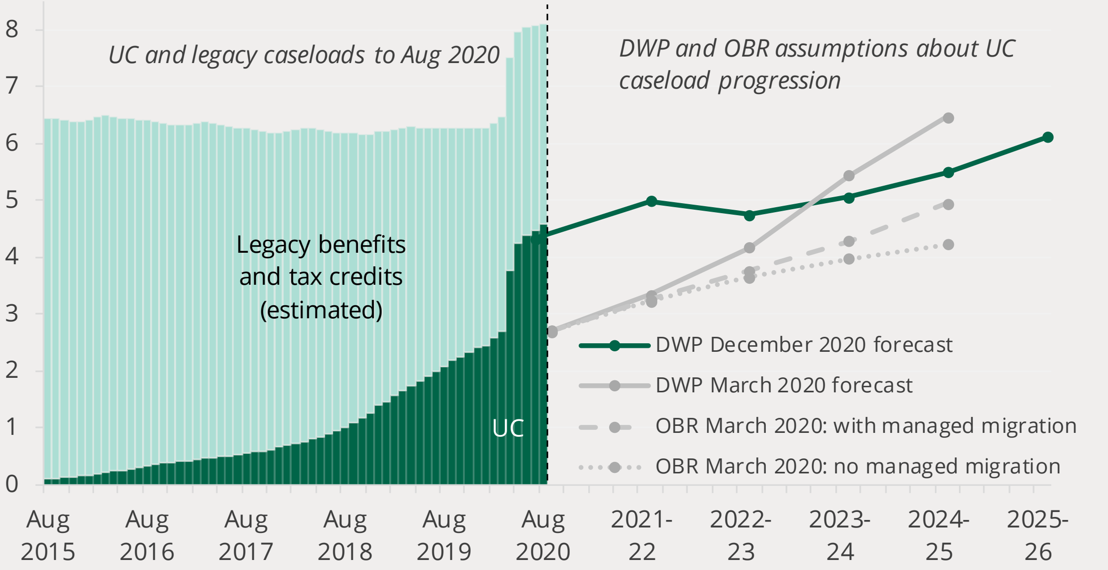
By August 2020 the number of households on UC had reached 4.6 million, well in excess of the caseload the DWP had previously been expecting by 2022/23. The DWP now forecasts that the UC household caseload will rise from its current level to nearly 5 million in 2021/22, fall slightly to 4.7 million in 2022/23, then start rising again to reach

201 OBR, Economic and fiscal outlook – March 2020, 11 March, para. A.11
202 PQ 52072, 4 June 2020
203 PQ 2481, 21 January 2020
204 OBR, Fiscal sustainability report, July 2020, para. 3.72
205 Letter from Thérèse Coffey to Stephen Timms, 3 February 2020 (DEP2020-0049).
206 OBR, Fiscal sustainability report, July 2020, para. 3.72
207 Public Accounts Committee, Oral evidence: HM Revenue & Customs 2019-20 Standard Report, 16 November 2020

6.1 million by 2025/26. This is a year later than the DWP's previous forecast of when the UC caseload would pass the 6 million household mark, and reflects a slower pace of caseload progression than in its previous forecast (as illustrated in the chart below). It is also a year later than its previous forecast for completing the caseload rollout of Universal Credit.

Universal Credit caseload rollout in Great Britain

Millions of households on either UC or legacy benefits and tax credits



Sources: UC actual: DWP Stat-xplore; Legacy actual: HoC Library calculations based on DWP Stat-xplore and HMRC personal tax credit statistics; December 2020 UC forecast: DWP Benefit expenditure and caseload tables 2020 Autumn Budget 2020 edition table 1c; March 2020 UC assumptions: OBR Economic and Fiscal Outlook March 2020 chart 3.4

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