HOUSE OF LORDS

Library Briefing

Welfare Changes: Impact on Family Life
Debate on 1 November 2018

Summary

This House of Lords Library Briefing has been prepared in advance of the debate due to take place on 1 November 2018 in the House of Lords on the motion moved by Lord Bassam of Brighton (Labour) that "this House takes note of the impact on family life of multiple reductions in welfare benefits, universal credit, tax credits, housing benefits and child benefit".

There have been a series of reforms to the UK's social security system in recent years, while spending on welfare has fallen as a share of national income. Key changes include the introduction of the benefit cap; the 'under-occupancy charge' or 'bedroom tax'; the high-income child benefit tax charge; a two-child limit for tax credits and the tax credit elements of universal credit; removal of the 'family element' in child tax credits and universal credit for new claimants; a four-year freeze to working-age benefits between 2016/17 and 2019/20; and a reduction in the universal credit work allowance.

Reports and analyses have attempted to quantify the financial impact of these changes on households, including identifying categories of claimants whose awards have either fallen or risen as a result of the changes. The observed or forecast financial impact of the changes on families varies widely, depending on the actual or hypothetical circumstances used in calculations. However, most analyses appear to have concluded that overall universal credit—the Government's flagship welfare reform—is less generous than the benefits it is replacing. This reduction in generosity, they argue, has clear financial implications for some households. However, secondary effects may result from the reduction in household income experienced by some families, including in relation to health and wellbeing, and the educational attainment and life chances of children.

This briefing provides background information on the welfare benefits named in the motion to be debated on 1 November 2018, before providing an overview of key benefit policy changes. It then summarises reports examining the financial impact of these policy changes on households, before summarising academic research on the noted effects of low income on both adults and children. A synopsis of contributions made during a recent House of Commons debate on universal credit is provided, before the briefing concludes with a selection of further reading on this complex and contested issue.

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1. Introduction

During the 2010–15 and 2015–17 parliaments, the Coalition and Conservative governments made significant changes to the social security system as part of efforts to make it "fairer and more affordable", while at the same time encouraging individuals to enter or remain in paid employment.[1] These changes were undertaken in the context of an overall government policy to reduce the budget deficit through reductions in many areas of expenditure, including the welfare budget. As a result of the policy changes, the Office for Budget Responsibility (OBR) has observed that expenditure on welfare benefits has been falling as a share of national income since 2012/13.[2] As at May 2018, and by the same measure, welfare spending was forecast to continue falling over the next five years, with the decline expected to be driven largely by reduced expenditure on tax credits, housing benefit and universal credit.[3]

The reduction in welfare spending has had a wide variety of effects on households of differing compositions. As outlined below, some households in receipt of working-age welfare benefits will have seen an increase in the financial support they receive because of the policy changes; while others will have experienced a reduction in their income. This briefing highlights the findings of recent reports in this area.

2. Overview of Welfare Benefits

2.1 Background

Universal Credit

Universal credit (UC) represents the largest structural change to the social security system in recent years.[4] Introduced as a key component of the Welfare Reform Act 2012, UC combines six means-tested working-age benefits into a single payment. It is being introduced across the UK in stages, and in time will replace the following (so called 'legacy') benefits:

- working tax credit;

[1] See for example: Department for Work and Pensions, '2010 to 2015 Government Policy: Welfare Reform', 8 May 2015; 'Single Departmental Plan', 19 October 2018; and 'About Us', accessed 22 October 2018.

[2] Office for Budget Responsibility, *An OBR Guide to Welfare Spending*, 4 May 2018, p 9.

[3] ibid, p 13.

[4] Institute for Fiscal Studies, *Do the UK Government's Welfare Reforms Make Work Pay?*, 11 September 2013, p 1. The Office for Budget Responsibility has argued that the introduction of UC is one of the most significant reforms to the welfare system since those initiated following the Beveridge Report (Office for Budget Responsibility, *Welfare Trends Report*, January 2018, Cm 9562, p 3).

- child tax credit;
- housing benefit;
- income support;
- income-based jobseeker's allowance; and
- income-related employment and support allowance.[5]

UC is administered by the Department for Work and Pensions (DWP) in Great Britain and the Department for Communities in Northern Ireland. The OBR has noted that for claimants in Great Britain, UC will mean that out-of-work and in-work claims will be administered by one institution (the DWP) rather than the previous mix of three: the DWP for most out-of-work benefits, HM Revenue and Customs (HMRC) for tax credits and an individual's local authority for housing benefit.[6]

UC awards are paid monthly in arrears as a single payment (except in exceptional circumstances).[7] The amount of UC award received by households depends on the income and savings of individuals in that household, with both unearned and earned income reducing the maximum award available (with the latter subject to allowances and a 'taper rate' at which UC is withdrawn for each pound of earned income over a certain level). UC awards are subject to claimants meeting responsibilities made under a 'claimant commitment', which can include looking and applying for jobs and reporting any change in their circumstances.[8] Financial sanctions, including the reduction or withdrawal of a UC award, can be applied to those deemed to be noncompliant with their claimant commitment.

As at June 2018, there were an estimated 883,000 UC claimants in Great Britain, and around 5 million working-age households in receipt of legacy benefits and/or tax credits.[9] The Government has stated that it expects UC to be fully rolled out for new claimants by December 2018, and that a 'managed migration' process will take place between 2019 and 2023 to move households receiving legacy benefits over to the new combined payment.[10] The OBR has forecast that UC will pay out more than £60 billion a year to around 7 million households by the time it is fully rolled out.[11]

[5] Department for Work and Pensions, 'Universal Credit: What Universal Credit Is', accessed 22 October 2018. Note: UC is not replacing the contributions-based elements of jobseeker's allowance or employment and support allowance, which will continue in a new form. Nor is it replacing housing benefit for pensioners, which will become a new 'housing credit' paid as part of pension credit (Office for Budget Responsibility, *Welfare Trends Report*, January 2018, Cm 9562, p 27).

[6] Office for Budget Responsibility, *Welfare Trends Report*, January 2018, Cm 9562, p 6.

[7] House of Commons Library, *Opposition Day Debate: Universal Credit*, 16 October 2018, p 3.

[8] Department for Work and Pensions, 'Universal Credit: Your Responsibilities', accessed 22 October 2018.

[9] House of Commons Library, *Opposition Day Debate: Universal Credit*, 16 October 2018, p 4.

[10] HC *Hansard*, 16 October 2018, col 505.

[11] Office for Budget Responsibility, *Welfare Trends Report*, January 2018, Cm 9562, p 3.

Selected Other Benefits

As stated above, an estimated 5 million working-age households in Great Britain are in receipt of legacy benefits that will be replaced by UC, including working tax credit, child tax credit and/or housing benefit.[12] Eligibility for these benefits is as follows:

- Working tax credit may be claimed by individuals on a low income (whether they are in employment or self-employed) or who live in a low-income household. It contains several elements, including additional amounts for working people with a disability; people with a severe disability; and to assist with the costs of registered or approved childcare.[13]
- Child tax credit may be claimed by individuals if they, or their partner, are responsible for at least one child or qualifying young person who usually lives with them. It is made up of different elements, including a disability element if applicable.[14]
- Housing benefit may be claimed by individuals on a low income to assist with rental costs. It is paid to claimants by local authorities.[15]

According to HMRC, over 4 million families received tax credits (working tax credit, child tax credit, or both) across the UK in the 2016/17 financial year.[16] Meanwhile, according to the DWP there were around 4.17 million housing benefit claimants across Great Britain as at May 2018.[17]

In addition, child benefit is payable to families with children based on the number of eligible children in the household. It is currently £20.70 per week for the oldest child and £13.70 per week for subsequent children.[18] According to HMRC, there were over 7.3 million families and children in receipt of child benefit as at August 2017.[19]

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[12] House of Commons Library, *Opposition Day Debate: Universal Credit*, 16 October 2018, p 4.

[13] HM Revenue and Customs, *A Guide to Child Tax Credit and Working Tax Credit*, April 2018, p 8; and Entitledto, 'Working Tax Credit', accessed 22 October 2018.

[14] HM Revenue and Customs, *A Guide to Child Tax Credit and Working Tax Credit*, April 2018, pp 5–6.

[15] Citizens Advice, 'Help with Your Rent: Housing Benefit', accessed 22 October 2018

[16] HM Revenue and Customs, *Child and Working Tax Credits Statistics: Finalised Annual Awards in 2016 to 2017*, 28 June 2018, pp 12 and 14.

[17] Department for Work and Pensions, *Housing Benefit Caseload Statistics: Data to May 2018—Table 1*, 14 August 2018.

[18] Entitledto, 'Child Benefit', accessed 22 October 2018.

[19] HM Revenue and Customs, *Child Benefit Statistics Geographical Analysis*, 28 February 2018, p 4.

2.2 Overview of Recent Policy Changes

The welfare benefits cited above have been subject to various policy changes in recent years amid an overall government ambition to reduce the budget deficit. Key welfare policy changes that have been made include:

- The introduction of a two-child limit for tax credits and the tax credit elements of UC for new births or claims from April 2017.
- The removal of the 'family element' in child tax credits and UC for new claimants from April 2017, which was estimated to be worth around £545 to all eligible households with children in the 2016/17 financial year.
- A four-year freeze to working-age benefits (including the working age rates of UC, working tax credits, child tax credits, housing benefit, income support, jobseeker's allowance, and employment and support allowance) between 2016/17 and 2019/20, so that they are no longer uprated in line with the consumer price index (CPI) measure of inflation.
- A reduction in the UC work allowance, the threshold up to which households can earn a given amount each month before the benefit is tapered (ie, partly or fully withdrawn). Lower work allowances were introduced from April 2016.
- Changes to the UC taper rate, the rate at which a UC award is reduced as a claimant's net income rises. Since April 2017, this has been 63%—a reduction from the previous rate of 65%. This lower rate has meant that in-work families have been able to keep more of their UC award as their income from employment has risen since April last year.[20]

In addition, since April 2013 housing benefit awards paid to social housing or housing associated tenants have been reduced for those deemed to be living in homes that have more bedrooms than necessary for their needs. This policy—referred to in political debate as the 'under-occupancy charge', 'spare room subsidy' or 'bedroom tax'—reduces the rent figure used to calculate a housing benefit award by 14% for accommodation deemed to have one spare bedroom and by 25% for homes deemed to have two or more spare bedrooms.[21]

In respect of child benefit, since 7 January 2013 households receiving payments may have been subject to a tax charge if at least one person in the household earned more than £50,000 per year.[22] This payment is known as

[20] Scottish Government, *Impact of UK Welfare Policy on Families with Children*, 1 September 2017, pp 6–7.

[21] Citizens Advice, 'Housing Benefit Size Restrictions in Social Housing', accessed 22 October 2018.

[22] HM Government, 'High Income Child Benefit Tax Charge', accessed 22 October 2018.

the high income child benefit tax charge and has the effect of withdrawing the value of child benefit so that the net gain is nil once a person's income is £60,000 or more. The policy includes an expectation, if applicable, that affected couples disclose to each other whether they claim child benefit, and if so whether one of their earnings is above £50,000 a year.[23]

Furthermore, a benefit cap was introduced in April 2013 which placed a limit on the total amount of benefits (including tax credits) payable to a working-age household (with exceptions).[24] The cap originally limited payments to around £26,000 per year for a family with children and £18,200 a year for a single person with no children. From November 2016, a lower cap was introduced which limited the total amount that could be claimed by a family with children to around £23,000 a year in Greater London and £20,000 elsewhere; and around £15,400 a year for a single person in Greater London and £13,400 a year elsewhere.[25] As at February 2018, the House of Commons Work and Pensions Committee estimated that 64,800 households were affected by the lower cap—over three times the 20,000 households estimated to have been affected by the earlier cap around the time the new cap came into force.[26]

It should be noted that other policy changes, such as the introduction of the national living wage, increases to the personal tax allowance and the introduction of childcare support measures, have been made in parallel with the welfare policy changes cited above. However, analyses by both the Institute for Fiscal Studies and the Resolution Foundation have concluded that any increases in household income resulting from one or more of these measures would not offset reductions in income arising from the recent welfare policy changes for many households in receipt of benefit support.[27]

3. Impact of Changes on Family Life

There has been extensive media coverage in recent years of how the Government's welfare reforms have impacted on households, and the issue has been the subject of ongoing political debate. The noted effects range from the financial losses or gains households may have experienced because of welfare policy changes, to other impacts linked with these changes. The overall impact of the Government's welfare changes remains a contested area. The section below summarises the findings of a selection of recent reports on the subject, but due to the complexity of the issue and the wide

[23] BBC News, 'Q&A: Child Benefit Changes', 22 September 2014.

[24] HM Government, 'Benefit Cap', accessed 22 October 2018; and House of Commons Work and Pensions Committee, 'Benefit Cap Inquiry', accessed 22 October 2018.

[25] House of Commons Work and Pensions Committee, 'Benefit Cap Inquiry', accessed 22 October 2018.

[26] ibid.

[27] Child Poverty Action Group, *The Austerity Generation: The Impact of a Decade of Cuts on Family Incomes and Child Poverty*, November 2017, pp 7–8.

variety of households affected it should not be considered to be a comprehensive analysis of the total impact of the changes on all families.

3.1 Financial Impact on Households

A number of public bodies, think tanks and campaigning organisations have published reports on the financial impact of recent welfare policy changes for different households in receipt of social security support when compared with the entitlements available before these policy changes took effect. The noted financial impacts on households of varying compositions, including those with or without children, vary greatly, depending on the individual circumstances of either real or hypothetical family units.

In September 2017, the Scottish Government published a report on the impact of UK welfare policy on families with children in Scotland.[28] In a ministerial foreword to the report, Angela Constance, the former Cabinet Secretary for Communities, Social Security and Equalities in the Scottish Government, alleged that welfare policy changes made at the UK-level since 2010 had "targeted people on low incomes […], with families with children the hardest hit".[29] The report cited an earlier Institute for Fiscal Studies report, produced in advance of the 2017 general election, that had included the following 'key findings':

> **While cuts to benefits have been small as yet, government plans for future cuts would significantly reduce the incomes of low-income working-age households, particularly those with children.**
>
> The most important changes are the cash freeze in most benefit rates, cuts to child tax credit and the continued roll-out of the less generous universal credit.
>
> **If these planned cuts were fully in place now, nearly 3 million working households with children on tax credits would be an average of £2,500 a year worse off, with larger families losing more.**
>
> The 1 million families with children and nobody in paid work would be £3,000 a year worse off on average. But it is important to stress that

[28] Scottish Government, *Impact of UK Welfare Policy on Families with Children*, 1 September 2017. This was one of a series of follow-up reports to an earlier Scottish Government report on the impact in Scotland of welfare reform measures passed since 2010: *Welfare Reform (Further Provision) (Scotland) Act 2012: Annual Report 2017*, 29 June 2017.

[29] Scottish Government, *Impact of UK Welfare Policy on Families with Children*, 1 September 2017, p 2.

> many of the changes will not create immediate losses of benefit income, because of [transitional] protections for existing claimants.
>
> **Planned cuts will have a bigger effect on the entitlements of the poorest families than the cuts made by the coalition.**
>
> More broadly, the period since 2010 has seen lower-income households lose as a result of benefit cuts and the richest households lose from increases in income tax. But those on average and moderately high incomes, as well as most pensioners, have seen their incomes almost completely protected on average.[30]

Similarly, in October 2017 the Resolution Foundation published a report in which it concluded that UC was now "less generous than the system it replaces" for working households.[31] The authors of the report made calculations of the financial impact of UC for working families based on the assumed impact of the policy when compared with the current tax credit system. However, they did not factor in other policy changes such as the four-year benefit freeze or the two-child limit. According to their modelling:

> - 2.2 million families [including couple parents, single parents and non-parents] are expected to gain under UC, with an average increase in income of £41 a week.
> - 3.2 million families [again including couple parents, single parents and non-parents] are expected to be worse off under UC, with an average loss of £48 a week. 600,000 of those losers, mostly couple parent families, will no longer be entitled to benefits under UC.
> - The net impact on couple parent families is broadly neutral. Slightly fewer couple parent families will gain (1.0 million) than lose (1.1 million). The average gain of £54 a week compares to an average loss of £53 a week.
> - That is not the case for single parents. They will overall lose by an average of £26 a week but almost twice as [many] will lose (0.7 million) as gain (0.4 million), and lose by almost twice as much on average (many losing £57 a week compared to gains of £31 a week).[32]

The report concluded that "although the extent of gains or losses vary across family types and their precise circumstances", once UC was in a "steady state we expect working families to be, on average, £625 a year

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[30] Institute for Fiscal Studies, *The Impact of Tax and Benefit Reforms on Household Incomes*, 27 April 2017, p 2. Bold in original.

[31] Resolution Foundation, *Universal Remedy: Ensuring Universal Credit is Fit for Purpose*, October 2017, p 27.

[32] ibid, p 29.

worse off".[33] According to the report's authors, this meant that, overall, UC was set to be "almost £3 billion a year less generous than the tax credit system it replaces".[34]

In November 2017, the Child Poverty Action Group published a report, commissioned from the Institute for Public Policy Research, which considered the cumulative effect of reductions to social security benefits made in recent years. The report argued that "cuts to both the legacy and universal credit systems will hit families with children harder than any other group across the population".[35] According to their analysis, lone parents with children would be £1,940 a year worse off on average as a result of "cuts" in the legacy benefit system, and £2,380 worse off as a result of those to UC, compared to what UC had "first promised".[36] The report continued:

> Families already at the greatest risk of poverty will lose most: not just lone parents but families already on low incomes, larger families, families with young children, and families where someone is disabled. Families with four or more children will be more than £4,000 a year worse off because of cuts in the legacy benefit system, and more than £5,000 worse off following cuts to universal credit (compared with its original design). Lone parents, single earner families, families with more than two children and young parents also lose out across the decade in the move from the 2010 tax credits system to today's universal credit.
>
> Cuts to universal credit have substantially reduced the rewards from work for many families. Cuts and freezes to work allowances will leave lone parents worse off by £710 a year on average, and couples £250 a year on average, across the population. They also hit 'just about managing' families in the second and third income deciles particularly hard. In order to make up the losses from work allowance cuts, a couple already working full time on the 'national living wage' would have to work 17 extra days a year, and a lone parent an extra 41 days a year—in effect, a fourteen-month year.
>
> A couple with two young children, with one full-time and one part-time earner on the 'national living wage', will be over £1,200 worse off a year as a result of cuts to universal credit. A lone parent with two young children, starting work at 12 hours a week on the 'national living wage', will see their effective hourly wage rate reduced from £5.01 to

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[33] Resolution Foundation, *Universal Remedy: Ensuring Universal Credit is Fit for Purpose*, October 2017, p 27.

[34] Resolution Foundation, 'Universal Remedy: Ensuring Universal Credit is Fit for Purpose', 31 October 2017.

[35] Child Poverty Action Group, *The Austerity Generation: The Impact of a Decade of Cuts on Family Incomes and Child Poverty*, November 2017, p 5.

[36] ibid.

£4.18 an hour by universal credit cuts.[37]

In January 2018, the OBR published its most recent report on welfare trends.[38] This included a forecast of the impact on household benefit entitlements in 2022/23 based on an assumed full roll-out of UC. Issued with the caveat that the figures should be interpreted as illustrative only, the report found:

- **0.7 million households might gain an average £4,061 per annum** as a result of increased benefit take-up;
- **2.4 million households might gain an average of £1,625 per annum** as a result of increased benefit entitlement in UC, notably resulting from higher entitlements for those working fewer than 16 hours a week and also the UC limited capability for work-related activity element which is higher than the equivalent component in employment and support allowance;
- **2.7 million households might lose an average of £2,106 per annum** as a result of reduced benefit entitlement in UC. Key reasons for losses are the reduced work allowances and extension of capital limits to in-work claimants, and the removal of certain disability-related premiums and tax credit elements.[39]

In October 2018, the *Observer* reported that a "comprehensive analysis of the impact of universal credit" had been produced by the Policy in Practice consultancy.[40] This report does not appear to be available, but the newspaper reported that it had concluded:

- Almost two in five households in receipt of benefits would lose an average of £52 a week.
- Some 2.8 million households would see their income cut.
- A million homeowners currently receiving tax credits would be worse off, losing an average of £43 a week.
- 600,000 working single parents currently receiving tax credits would be worse off, losing £16 a week on average.
- 750,000 households on disability benefits would lose on average £76 a week.
- 2 million households would gain compared to the old system, by

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[37] Child Poverty Action Group, *The Austerity Generation: The Impact of a Decade of Cuts on Family Incomes and Child Poverty*, November 2017, p 5.

[38] Office for Budget Responsibility, *Welfare Trends Report*, January 2018, Cm 9562.

[39] ibid, pp 118–21; and House of Commons Library, *Opposition Day Debate: Universal Credit*, 16 October 2018, p 7. Bold in original.

[40] Michael Savage, 'Millions to Lose £52 a Week with Universal Credit, Report Shows', *Observer*, 14 October 2018.

£26 a week on average.

- Households gaining include around 900,000 private tenants in work, gaining on average £14.52 a week.
- 'People deemed too ill to work or to prepare for work' were likely to be better off or receive the same amounts—households in this situation would on average be £7.76 a week better off.[41]

The article appeared in the context of reports that the Government was under political pressure, including from Conservative MPs, to increase the generosity of UC in the forthcoming Budget. In response to the article, the DWP stated:

> Universal credit is based on the sound principles that work should always pay and those who really need support receive it. Universal credit will see an extra 200,000 people move into work from where they can progress; 700,000 more people getting an average £285 a month extra because it's a simpler system helping them get benefits they are entitled to but were not receiving under old system, and around 1 million households with a disabled person will get around £110 more a month.
>
> However, we are listening and responding to concerns about how universal credit supports people and constantly looking to improve the benefit. Significant improvements have been made to the system already.
>
> The [Policy in Practice] analysis does not take into account the transitional protections we have put in place so people we move on to universal credit receive the same or increased level of support, nor the additional protections for 500,000 severely disabled people we recently announced.[42]

3.2 Other Impacts

The financial impact of reductions in benefit entitlements for certain households can lead to secondary impacts which can affect family life, whatever the composition of the family unit. These can be many and varied, depending on the individual circumstances in a household. However, they may include:

- an increase in poverty levels;

[41] House of Commons Library, *Opposition Day Debate: Universal Credit*, 16 October 2018, p 7.

[42] Michael Savage, 'Millions to Lose £52 a Week with Universal Credit, Report Shows', *Observer*, 14 October 2018.

- an increased risk of physical or mental illness;
- acting as a brake on the educational attainment of children.[43]

Academics at the Centre for Analysis of Social Exclusion at the London School of Economics have undertaken reviews of the evidence available on whether low incomes affect adults and children.[44] For adults, an analysis of studies available as at 2015 found that the evidence suggested that "money in adulthood does itself matter for wider adult outcomes, but this is clearer for some outcomes than for others". In particular, it was noted:

- There is strong evidence that additional financial resources make people happier and reduce mental health problems such as depression and anxiety.
- Money also gives people more choices in a range of areas of life, including decisions about relationships, employment and education.
- Increases in women's income appears to reduce domestic violence, though only two studies looked at this.[45]

However, the authors of this study also noted that the evidence on physical health was "unclear". They concluded that there was strong evidence from the available literature that increases in resources improved the health behaviour of parents, but that "more income can lead to less healthy behaviours, such as drinking and smoking more, for the rest of the population. Evidence on the impact on health outcomes, such as obesity and life expectancy, is also very mixed".[46]

As to whether money affected children's outcomes, the authors found that the evidence "clearly indicates that money makes a difference to children's outcomes".[47] They added: "poorer children have worse cognitive, social-behavioural and health outcomes in part because they are poor, and not just because poverty is correlated with other household and parental characteristics".

4. Recent Parliamentary Debate

The impact of reductions in benefit awards for some households was discussed in the House of Commons during a recent opposition day debate

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[43] Child Poverty Action Group in Scotland, *What is Welfare Reform and How is it Affecting Families?*, May 2016, p 3

[44] Kerris Cooper and Kitty Stewart, 'Does Money in Adulthood Affect Adult Outcomes? A Systematic Review', Centre for Analysis of Social Exclusion, 26 January 2015.

[45] ibid.

[46] ibid.

[47] ibid.

on UC held on 17 October 2018.[48] Opening the debate on behalf of the Opposition, Margaret Greenwood, Shadow Secretary of State for Work and Pensions, contended that UC had been "beset by flaws in its design and delivery" and was "causing immense hardship for many people wherever it is rolled out".[49] She added:

> It is hard to believe now, but universal credit was designed to lift people out of poverty and smooth the transition into work to ensure that it always pays. The reality is that universal credit is a vehicle for cuts: cuts in support for families with a disabled child for whom the basic rate of support is half what it is in tax credits; cuts in support for disabled people in work, such as the disabled person who wrote to us saying that they are more than £300 a month worse off since switching from claiming working tax credits; and cuts in support for lone parents bringing up children who will get more than £20 a week less on average, with many losing far more.[50]

Ms Greenwood continued her remarks by citing estimates that "3.2 million families with children could lose around £50 a week" under UC, before noting that "being forced to manage on a low income that is then cut still further means tough choices for the families affected". Ms Greenwood proceeded to list a series of concerns with the new combined payment in its current form, including: the 'digital by default' model for the system; that monthly payments are made in arrears; an alleged inability of the system to cope with fluctuating income; that payments for a household are made to a single account, which potentially left victims of domestic violence at risk; the 40 percent repayment rate for sums owed; and that claimants of legacy benefits will have responsibility for submitting a new claim for UC under the current roll-out plan. Ms Greenwood concluded her speech by contending that UC left many "facing hunger and destitution" and called on the Government to "stop the roll-out of universal credit".[51]

In response, Esther McVey, Secretary of State for Work and Pensions, stated that since taking office she had "changed the system to provide extra support for those with severe disabilities, vulnerable young 18 to 21-year olds and kinship carers" and was "working with colleagues to identify areas where we can make more improvements".[52] Ms McVey defended the introduction of UC, before citing government analysis that suggested UC would "help 200,000 more people into work when fully rolled out". She added that, in the Government's view, "1 million disabled households will receive on average around £110 more per month" under the system, and that once the system was fully rolled out "700,000 households will get

[48] HC *Hansard*, 17 October 2018, cols 648–724.
[49] col 648.
[50] col 648.
[51] col 649–52.
[52] col 652.

entitlements that they were not claiming under legacy benefits, worth an average of £285 per month".[53]

Speaking on behalf of the Scottish National Party, Neil Gray, the SNP's Westminster spokesperson on work and pensions, alleged that the policy was "already causing misery to millions" and called for "significant investment" to be made in UC at the forthcoming Budget.[54] After giving examples of cases in which claimants had been negatively affected by UC, Mr Gray stated that UC, in its current form, was "doing real damage to individuals and families. He concluded his remarks by calling for the Chancellor to "lift the benefit freeze, restore work allowances, scrap the two-child limit, lift the application waiting time, reduce the clawback from advances, sort the self-employed income floor, cut sanctions and restore the ESA work-related activity group and the disability components of UC".[55] He added:

> There should then be a halt to the roll-out until a fundamental review of universal credit is carried out, which should look at areas such as the digital-only approach, implicit consent, introducing split payments, rethinking the way people with mental health problems interact with the system and fixing the problems with the assessment period.
>
> The problems with universal credit are fundamental and are causing misery, but they are problems that can be fixed with political will.[56]

[53] HC *Hansard*, 17 October 2018, cols 652–7.

[54] ibid, cols 658–9.

[55] ibid, col 664.

[56] ibid, col 664.

5. Further Information

- Debate on 'Universal Credit', HC *Hansard*, 17 October 2018, cols 648–724
- House of Commons Library, *Opposition Day Debate: Universal Credit*, 16 October 2018; and *Universal Credit Roll-out: 2018–19*, 14 June 2018
- Office for Budget Responsibility, *Welfare Trends Report*, January 2018, Cm 9562
- Office for Budget Responsibility, *An OBR Guide to Welfare Spending*, 4 May 2018
- National Audit Office, *Rolling out Universal Credit*, 15 June 2018, HC 1123 of session 2017–19
- Institute for Fiscal Studies, *The Impact of Tax and Benefit Reforms on Household Incomes*, 27 April 2017
- Scottish Government, *Impact of UK Welfare Policy on Families with Children*, 1 September 2017
- Resolution Foundation, *Universal Remedy: Ensuring Universal Credit is Fit for Purpose*, October 2017
- Child Poverty Action Group, *The Austerity Generation: The Impact of a Decade of Cuts on Family Incomes and Child Poverty*, November 2017
- Trussell Trust, *Left Behind: Is Universal Credit Truly Universal?*, March 2018
- House of Lords Library, *Impact of Universal Credit on Claimants*, 8 November 2018