

# Evidence Submission

## Age UK's submission to the House of Lords Economic Affairs Inquiry: The Economics of Universal Credit

February 2020

Age UK ref: 0302

**Update March 2020:** *please note that since this submission was made the Government has announced changes to smooth the transition from Universal Credit to pensioner benefits.<sup>1</sup>*

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## **About this submission**

The House of Lords Economic Affairs Committee is looking at whether Universal Credit is meeting its original objectives, whether the policy assumptions are appropriate for different groups, and the extent to which Universal Credit meets the needs of claimants in today's labour market and the changing world of work.

### **1. Key points and recommendations**

1.1 Although Universal Credit was intended to provide a simpler system, in some respects it has increased complexity. For example, there are problems when people receiving Universal Credit reach State Pension age (SPA) and someone can be left without money for as long as two months before their first payment of State Pension. The system can also be harder to access and manage for people who have difficulties using the digital service.

1.2 The feedback we have had makes us seriously question the extent to which Universal Credit has produced a fairer system for those who are unable to work for reasons such as caring responsibilities and disability. For many people, the Universal Credit system, along with other changes such as the freeze on working age benefits since 2016, does not provide adequate support.

1.3 Mixed age couples (where one partner is a pensioner and the other is under SPA) are some of the biggest losers under Universal Credit – they can be up to £7,000 a year worse off than under the previous system. Universal Credit was not designed for pensioners and the Government should reconsider the position for mixed age couples.

1.4 There needs to be further work to look at the impact of Universal Credit on disadvantaged groups aged 60 to SPA who have been disproportionately affected by the rises in SPA and Pension Credit age.

### **2. Introduction**

2.1 Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England. In the UK, the Charity helps more than seven million older people each year by providing advice and support. We also carry out research and campaign on the issues that matter most to older people.

2.2 Age UK welcomes the opportunity to submit evidence to the Committee. While we mainly work with people over State Pension age (SPA), we are also contacted by younger people, especially those in their 60s who have been affected by the steep rise in Pension Credit age over recent years. In addition, there are now pensioners who are in the Universal Credit system because they have a younger partner (mixed age couples). We have not attempted to answer all the questions but focus on issues for people who are unable to work or cannot find work. We include examples of enquiries to our Advice Line.

### **3. How well has Universal Credit met its original objectives?**

3.1 The Universal Credit White Paper said that the Government wanted to ‘reform the benefit system to make it fairer, more affordable and better able to tackle poverty, worklessness and welfare dependency.’<sup>ii</sup> Universal Credit was intended to ‘radically simplify’ the systems and to provide better incentives to work as well as supporting vulnerable groups. In addition, the Government aimed to increase personal responsibility, to provide greater work conditionality and to make the benefit ‘digital first’.

3.2 Age UK is not in a position to comment on the extent to which it has met objectives around encouraging and incentivising work which was the main focus of the White Paper. However, the feedback we have had makes us seriously question the extent to which Universal Credit has produced a simpler and fairer system.

#### **A simple system?**

3.3 The major delays in introducing and rolling out Universal Credit demonstrate the challenges that governments have faced. For individuals too, the system often proves far from simple. One source of complexity comes from the differences between Universal Credit and pensioner benefits. For example, Universal Credit is based on a calendar month and a change of circumstances normally takes effect from the start of the assessment period in which it arises. State Pension and other pensioner benefits are assessed on a weekly basis with the State Pension normally paid four weekly in arrears.

3.4 When someone claiming Universal Credit reaches SPA, in theory, it should stop and they should start to receive their State Pension and, if entitled, Pension Credit and/or Housing Benefit. However, the systems are not joined up – the onus is on the individual to understand and navigate complex systems. Difficulties are exacerbated by staff giving wrong information – for example: incorrectly telling people they cannot claim Pension Credit or Housing Benefit until they have closed down the Universal Credit claim or telling people that they should claim Universal Credit when they would be entitled to Housing Benefit. We have also heard of people receiving both Universal Credit and State Pension/Pension Credit when people cannot be entitled to both. Even when all the correct procedures are followed, people can be left without money for nearly two months and this can include weeks where no payment is due.

*A man who had been unable to work for health reasons contacted Age UK to ask why he could not receive a part payment of Universal Credit. His first State Pension was not due until nearly 7 weeks after his last Universal Credit payment. When he receives his pension this will be for the previous 4 weeks, leaving around 3 weeks that will not be covered by either State Pension or Universal Credit.*

3.5 Another concern is the emphasis on Universal Credit as a digital benefit. Many people who have access to, and are comfortable using, digital technology will be happy

managing their claim digitally. However, many vulnerable people have low or limited digital skills. Internet usage is linked to age - nearly half of people aged 75+ (47%) and nearly one in 7 (14%) aged 65-74 have never used the internet. Older partners in mixed age couples, who may be aged 75+, are particularly likely to be digitally excluded. Even though the older partner has no work related requirements they still have to make and maintain a claim. While there is a Help to Claim Service, and it is possible to manage a claim through the telephone service, those who have difficulties using the digital service can still be disadvantaged. Some may be deterred from claiming, and others may face delays while trying to get support, or risk sanctions because they do not correctly maintain their claim.

3.6 While rolling up 6 benefits and tax credits into a single benefit has the advantage of reducing multiple applications and, at least in theory, simplifying the systems, one intrinsic disadvantage is that when there are problems someone can risk losing all their income, including support with rent.

*A man who contacted Age UK had received Jobseeker's Allowance in the past but was refused Universal Credit on the grounds he didn't sign a claimant commitment. He disputes this and is appealing, but says this could take months. In the meantime, he has no money for living costs, nor does he get help towards rent so could risk losing his home.*

## **Fairness**

3.7 Fairness can be defined in different ways. However, in our view, in a fair system it should be straightforward to make and maintain a claim, it should not be unduly onerous to provide evidence of inability to work, the approach for those who are able to work should be around support rather than sanctions, and the benefit should provide an adequate income for basic needs. For many people, the Universal Credit system, along with other changes such as the freeze on working age benefits since 2016, does not provide adequate support.

3.8 We have heard from people in vulnerable situations who are struggling financially due to a reasons such as: the waiting period before the first payment, administrative problems, sanctions, and the generally low levels of benefits.

*A man in his 50s who was unable to work due to mental health problems had less than £45 a week to live on after paying back the advance payment and had recently had benefit stopped for 3 months. Debts had forced him to move and he contacted Age UK as he had no money for food and lacked basic household equipment.*

## **4. Were the original objectives and assumptions the right ones? How should they change?**

4.1 While most people would agree with the high level objectives, the plans were hugely ambitious and did not sufficiently take into account the feasibility of such widespread changes to the system or fully recognise the reality of lives of vulnerable people with frequent life changes and often no savings or resources to fall back on. While

we strongly support the need for a benefit system that encourages and incentivises work, equal focus should be placed on creating a system that meets the needs of groups such as carers and disabled people who are not currently in a position to work.

## **5. Which claimants have benefited most from the Universal Credit reforms and which have lost out?**

5.1 One group who were always expected to lose out from Universal Credit are mixed age couples – where one partner is a pensioner and the younger partner has not reached SPA. The Universal Credit impact assessment noted that they would be among the people facing larger notional losses.<sup>iii</sup> Under current benefit rates, mixed age couples can be up to £7,000 a year worse off than under the Pension Credit system and in some specific circumstances even more. According to DWP analysis, by 2023-24 an estimated 60,000 couples will be affected, receiving, on average, around £6,400 less a year compared to the Pension Credit system.<sup>iv</sup> Pensioners in mixed age couples are also subject to the ‘bedroom tax’ and lose rights linked to Pension Credit such as Cold Weather Payments, and from June 2020, the free TV licence when the older partner is 75+.

5.2 While the Government has said that younger partners should have the same work incentives as others under SPA, in reality, for many affected, work is simply not an option due to ill health or the need to care for their older partner. Well over half (56%) of mixed age couples receiving Pension Credit and/or Housing Benefit before May 2019 received a disability costs benefit such as Personal Independence Payment or Attendance Allowance.

5.3 Pensioners can be left in the absurd position of having a higher income if they left their partner and lived alone than they receive as a couple living with a younger partner. This is because the standard single person rate of Pensioner Credit guarantee, while at around £8,700 a year is not overgenerous, is higher than the basic rate of Universal Credit for a couple which is £5,990 a year. Those already receiving Pension Credit and/or pension age Housing Benefit before 15 May 2019 have protection, but if they lose these benefits, even for just one week, they will only have access to Universal Credit in the future until the younger partner reaches SPA. This can be a major disincentive to work for people in this situation as shown by the example below.

*Age UK was contacted by a couple currently receiving Pension Credit where the woman is in her 50s and her husband in his late 70s. They are planning to move and for her to take a small job which would mean that their Pension Credit stops. If she does this, and the job doesn't last, or she needs to stop working to support her older husband, they would have to claim Universal Credit which would be paid at a much lower rate. They will only be able to claim Pension Credit again in 7 years time when she reaches SPA.*

5.4 Universal Credit was not designed for pensioners and Age UK believes that the Government should reconsider the rules for mixed age couples.

## 6. If Universal Credit does not adequately reflect the lived experiences of low-paid workers, how should it be reformed?

6.1 Universal Credit was introduced at the time when Pension Credit age (linked to women's SPA) was rising steeply. In 2010, Pension Credit age was 60 but now people have to claim Universal Credit until SPA which is currently around 65 years and eight months. We are not able to comment on how well the system works for those in low paid work, but have heard from some people who are not working and face difficulties. This includes people who say they are being required to undertake work search for 35 hours a week, despite having worked in hard physical occupations for 40 years and find it very difficult to contemplate working again.

*A man in his 60s who had worked all his life in a physical job and had multiple health problems was told by his GP that he needed to stop working. However, when he claimed Universal Credit he was assessed as fit for work and told to search for jobs. He has never used a computer but was given no support in looking for work.*

*A man told us that he and his wife had spent most of their lives in low paid work - including a cleaning job for several years which involved a sixty mile round trip. He has health problems that have involved hospital treatment. His wife also has a health condition and provides care to her husband when needed. Because of the stress of health assessments and work conditionality they decided to live on their small savings and Housing Benefit (which pays most of their rent), until he reaches SPA later this year. However, now they have been told that once he reaches SPA they will have to claim Universal Credit instead in order to continue to get help towards rent as they will be a mixed age couple until she reaches SPA in three years time. He told us he will not claim Universal Credit 'under any circumstances' due to past experiences and if necessary will rely on food parcels from friends.*

6.2 Age UK believes there needs to be further work to look at the impact of Universal Credit on disadvantaged groups aged 60 to SPA who have been disproportionately affected by the rises in SPA and Pension Credit age.

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<sup>i</sup> <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2020-03-05/HCWS146/>

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/48897/universal-credit-full-document.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf)

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<sup>iv</sup> <https://www.gov.uk/government/publications/mixed-age-couples-benefit-impacts-of-ending-access-to-pension-credit-and-pension-age-housing-benefit/mixed-age-couples-benefit-impacts-of-ending-access-to-pension-credit-and-pension-age-housing-benefit>