

# Government sets out its approach to Universal Credit

Universal Credit is a modern benefit based on the sound principles that work should always pay and those who need support receive it.

The old system failed to reward work

It replaces an out of date, old system that disincentivised work and trapped people on benefits. The system we are replacing was a complicated mix of six different benefits from 3 separate government agencies (HMRC, DWP and Local Authorities).

It failed to make work pay because it created 'cliff edges' – where people suddenly lost lots of money if they worked more than 16, 24 or 30 hours. This meant some people paid an effective tax rate of over 90 per cent – denying them the opportunity of more work.

Under this old system, 1.4 million people spent most of a decade trapped on benefits instead of being helped into work. Taxpayer-funded welfare spending went up by over 60 per cent (£84 billion in today's prices) under Labour, and the number of households where no one had ever worked almost doubled.

As well as trapping people on benefits, 700,000 households are missing out on benefits they are entitled to, losing on average £285 a month. Universal Credit puts all that right.

Why Universal Credit is a better system

Universal Credit replaces these benefits with one, simple, single payment, and is working for the vast majority of claimants – adding to our employment success which has seen on average over 1,000 more people moving into work each and every day since 2010, and youth unemployment more than halve.

Under Universal Credit claimants have a dedicated one-to-one work coach, who stays with them throughout their claim, helping them into work. It is a more flexible benefit, covering 85% of child care costs for working parents, compared to just 70% under the legacy system, and is designed to ensure that people are better off for every additional hour worked.

When rolled out, Universal Credit will help an extra 200,000 people into work, and empower people to work an extra 113 million hours because they are better off for every additional hour worked. It will also ensure that around 1 million disabled households receive an average of £110 more per month.

Analysis shows that people claiming Universal Credit are more likely to find a job compared to Jobseekers allowance, are supported to work more hours and those in work and on Universal Credit increase their earnings on average by £600 per year.

Taking a 'Test and Learn' approach

However, we are also listening and responding to concerns about how Universal Credit supports people and constantly looking to improve the benefit.

Significant changes have been made to the system already. We have removed the 7 waiting days, made 100% advances available, and provide an additional 2 weeks of housing benefit for claimants moving onto UC. The opposition cynically voted against these measures earlier this year – risking vital

support for claimants.

The government has reviewed legal cases reversing past positions and not appealed court decisions allowing the Department to reinstate housing benefit for 18-21 year olds, exempted kinship carers from changes to the Child Tax Credit element of Universal Credit, and announced measures to protect 500,000 severely disabled people when they move to Universal Credit.

This has been the 'test and learn' approach to UC, and importantly where further improvements need to be made we will do that too.

What we are doing next

By December, Universal Credit will have rolled out to every Job Centre in the country. This means that people who are making new claims to our benefits system now receive Universal Credit rather than the being put on the old system.

Soon we will start the wider process of moving people from the old benefits system onto Universal Credit, following the passage of regulations in Parliament.

These regulations allows us to move claimants onto UC, and provide transitional protection. These are important regulations to pass, in order to ensure that targeted support reaches those it is designed to help.

Throughout managed migration, we will continue to take a slow and measured approach. This will not begin in January 2019, but later in the year, after a period of preparation. For a further year we will then begin migration working with a maximum of 10,000 people, continuing with our 'test and learn' approach. This is to ensure the system is working well for claimants and to make any necessary adaptations as we go, until full roll out ends in 2023.

Whilst we are helping millions more into work, Labour don't have a plan. They want to scrap – or pause UC – returning to either a costly legacy system which was confusing for claimants, trapped people out of work, and unaffordable for taxpayers, or a Universal Basic Income for all regardless of their circumstances – the Billionaire's benefit. In stark contrast, Universal Credit ensures that we have a welfare system which is a safety net that rewards work, is fair to taxpayers, and sustainable for the future.