

Credit where it's due? Claiming Universal Credit during the Covid-19 pandemic



Research report
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Peabody

Peabody is one of the oldest and largest housing associations in London and the South East, established in 1862 by the philanthropist, George Peabody. We're responsible for 66,000 homes in London and the South East, providing quality homes and support services to over 150,000 people. Our mission is to help people make the most of their lives.

Our research programme draws on our unique insight and experience to develop evidence-based findings. We look at the issues which impact the lives of residents' living in London and the South East. In doing so, we focus on solutions and not just identifying the problems. Our influential research has contributed to and stimulated wider debate at the same time as challenge ourselves and informing our decisions, services and approach.

The Issue

The Covid pandemic, ongoing lockdowns and resultant economic fallout has caused turmoil across all sections of society. The furlough scheme protected many millions initially, but over time increasing numbers have turned to Universal Credit for support. At the start of March 2020 3 million households claimed Universal Credit. By October this had nearly doubled to 5.7 million. This is likely to increase over the coming months, when other forms of support are wound down.

At Peabody, we have been aware of longstanding concerns about the Universal Credit system. Our 2017 report "Safe as Houses identified that Universal Credit claimants were at increased risk of falling into large arrears. In 2019, our report "The Impact of Universal Credit" found that the process of claiming, and especially the 5-week wait, increased the risk of debt and hardship for social housing residents.

We decided to look at the experience of Peabody's residents who began claiming Universal Credit during the pandemic – to find out their experiences. We wanted to know whether there are still changes needed to the system to make it work for everyone, and also what more we can do to support our tenants who rely on Universal Credit.

We therefore surveyed 450 of our residents who began claiming Universal Credit following the lockdown on 23 March 2020. The results are in some ways encouraging – the system has coped with unprecedented numbers of new claimants, and most new claims were processed within the five weeks target.

Yet our findings also highlight that some people still experience difficulties with the system, and the amount of money people receive to live off is scarcely enough to meet needs.

Executive summary

Universal Credit has two key aims. The first is to provide support for out-of-work households and help ease them into work that pays. The second is to protect those who are unable to work, as well as many who do work, from hardship. At the start of March 2020 3 million households claimed Universal Credit. By October this had nearly doubled to 5.7 million. This is likely to increase over the coming months, when other forms of support are wound down.

We surveyed a random sample of 450 of our residents who began claiming Universal Credit following the lockdown on 23 March 2020. Almost 60% said they made a claim due to a change in their employment status. These are people who had been in work, but suffered a sudden loss of income due to the economic consequences of the pandemic.

What did we find?

- Despite the unprecedented increase in claimants, the system appears to be holding up and providing a lifeline to more than 5 million households.
- Around a quarter of respondents who put in new claims said that they had to wait longer than 5 weeks for their first payment – causing some to run out of money.
- New claimants are generally more digitally literate than existing claimants (many of whom have been out of the workforce for some time), and most respondents managed the application process without problems. However, around one in five said they found the system difficult to navigate, and there remains a challenge in supporting these individuals.
- The amount of money claimants receive from Universal Credit is low – especially for those who are out of work and solely reliant on it. Many of our tenants who are new claimants are having difficulty making ends meet, and some are going without essential items because they cannot afford them. This is in spite of the additional £20 per week that the government introduced during the pandemic period.



What should be done about it?

The DWP should ensure that Universal Credit provides the much-needed safety net by:

- Reducing the five-week wait, to two to three weeks via the use of an upfront grant rather than a loan, and ensure that nobody waits more than five weeks for payment.
- Improving the application process by making it easier for claimants to speak with someone when they are having difficulty. If Universal Credit is to live up to the “universal” in its name, the system must be easy to use for everyone.
- Maintaining the additional £20 a week. Even with this extra payment claimants are struggling; to remove it would make even more face hardship during this unprecedented time.

As a housing association, Peabody will continue to support our residents by:

- Making sure they are aware of what they're entitled to. A large number of residents are currently navigating the welfare system for the first time.
- Ensuring that support is available to any who struggle with the application process as necessary.
- Continuing to offer assistance with financial and employment-related advice once they are claiming. Employment opportunities are changing, and residents may need support to access training opportunities and move into areas where jobs exist.



Background

Universal Credit has never been more important than it has been during the Covid-19 pandemic. On 23 March 2020, the UK entered its first lockdown. Non-essential businesses were closed which saw hundreds of thousands of people lose their jobs, with London being hit especially badly.

The furlough scheme protected the wages of large numbers, but there were many more in insecure employment, newly employed or otherwise ineligible. Universal Credit was therefore the only safety net available to many, as well as providing a top up benefit for the lowest paid furloughed workers receiving only 80% of their previous core earnings. The number of claimants increased by 2.7 million to a total of 5.7 million¹. The success of the Universal Credit system to take on so many new claimants during this time period should be noted – credit indeed, where credit is due. We know many of our residents were among this number, as we saw the number of our residents claiming Universal Credit also more than double during that same time period.

However, since the original roll out of Universal Credit, we have been aware of the difficulty it causes many of our residents who claim it. Even as early as 2017, in our report “Safe as Houses” written by The Smith Institute, we identified that Universal Credit claimants were at increased risk of falling into large arrears. In our report “The Impact of Universal Credit” from 2019, we found that the process of claiming increased the risk of debt and hardship for social housing residents.

Universal Credit has long been considered a way to help its claimants into work as it is available both to unemployed and low waged households. We know from our November 2020 Peabody Index Bulletin that London has 44% fewer job vacancies than it did pre-pandemic, with low-skill sectors such as hospitality and retail having been hit especially hard. There have always been claimants who rely on Universal Credit due to an inability to work. For example, from our Peabody Index Understanding the employment and disability pay gap in London we know that those with a disability in London are more than twice as likely to be unemployed than those without a disability. However, now more than ever Universal Credit must be able to support those households for whom it is their only option and who may need to rely on it for some time.

Knowing that so many of our residents were starting new Universal Credit claims, we wanted to be sure that Universal Credit was properly fulfilling its role as a safety net, not just its role as a stepping stone to employment. This research was conducted to better understand what claiming Universal Credit had been like for those who started claiming during the pandemic. We wanted to understand:

- The circumstances that had driven these residents to start claiming Universal Credit
- What their experience of the application process had been like and
- How well Universal Credit was able to support them once they began receiving it

Thousands of our residents’ lives depend on Universal Credit. Currently, over 10,000 of our residents are claiming it. To properly support the people living in our homes we need to understand the impact of Universal Credit. We want to know that it is serving them the best it can. The government has already made considerable efforts to support those in need during this period, but we believe our findings can help support future decision-making.

Planning for the future is especially important given that we know that the furlough scheme will eventually have to come to an end. If the scheme is ended before the job market has recovered, Universal Credit will have to prepare for yet another influx of claimants. We believe that the recommendations we make in this report are essential, not just for those already claiming, but also for those who we know will have to claim in the coming months.

¹ <https://www.gov.uk/government/publications/universal-credit-statistics-29-april-2013-to-8-october-2020/universal-credit-statistics-29-april-2013-to-8-october-2020>

Research approach

To understand how Universal Credit was working as a safety net, we wanted to speak to the residents of ours who made a new Universal Claim since 23 March, the beginning of lockdown. We conducted a telephone survey of a random sample of 450 residents who had put in a new Universal Credit claim. We asked them questions about why they had started a new claim, how they found the process of applying, and what impact claiming Universal Credit has had on their life.

We also had more in-depth conversations with some residents who were willing to do so, as well as with some of our colleagues from our financial inclusion team. While the information we collected through the survey is invaluable, we wanted to be able to capture our residents' stories in a more personal way as well. You will get to hear these stories through the case studies included in this report.

We drew on data from our Peabody Index bulletin – a survey of 500 working age residents which we have undertaken regularly throughout the pandemic to map the overall impact on residents' finances and lives. Finally, we analysed data from external sources on the impact of the pandemic on claiming Universal Credit, along with analysis of our own rent arrears data to develop a fuller understanding of what our residents claiming Universal Credit are experiencing.

New Claimants

Claiming

We know that the Covid pandemic has had a significant impact on our residents. The number of our residents claiming Universal Credit increased by 133% between March and October. This is very much in line with national figures.

In our survey, we asked our residents, who had made a claim for Universal Credit since the pandemic started, why they had started a claim for Universal Credit. The most common reason by far was a change in employment status, given by 58% of respondents. The next most common reasons were much less prevalent and included a change in family circumstances (11%) and illness (10%). Other reasons included transferring from legacy benefits, becoming a carer, or other less common circumstances.

Employment

Unfortunately, of those who claimed due to a change in their employment status, the majority said they had lost their job. Smaller numbers who were self-employed also saw their incomes fall, saw their income fall due to being furloughed, or saw their working hours decrease. Our November 2020 Peabody Index found that, following the pandemic, the London job market had 46% fewer vacancies than pre-pandemic levels. We also found that just 15% of those who lost their jobs since March had found another one.

Following the pandemic, 28% of our survey respondents were left unemployed but looking for work. Only 3% of respondents reported being unemployed and not looking for work, and fewer than 5% reported having been unemployed for 12 months or longer at the time of surveying. That a third of survey respondents reported being in work despite claiming Universal Credit indicates deeper issues around pay levels. The final third include those unable to work due to ill health or disability, caring responsibilities, and other such situations.

Universal Credit has often been a safety net for those who are facing unemployment. However, our survey data suggests that these new claimants represent a different demographic than those who were claiming Universal Credit prior to the pandemic. Specifically, we found that they appeared to be from a higher-earning demographic. For our 2019 report on Universal Credit,

we surveyed 1,000 residents claiming Universal Credit. Of the respondents who had jobs, only 7.5% reported earning above the Real London Living Wage (RLLW). The survey for this research, however, found that a third of respondents who were either on an hourly wage or had been on an hourly wage in the last 12 months were earning at least the RLLW. While this does not reflect their current circumstances, we wanted to ensure we captured the experiences of the many respondents who only recently lost their jobs.

What it means

The finding that these claimants were earning wages that were relatively high compared to what our previous Universal Credit research found supports the claim that these are households which likely would not be needing to rely on Universal Credit if not for the pandemic. This is important to keep in mind when interpreting our other findings. Compared to an average Universal Credit claimant pre-pandemic, these households would likely be both better off financially and more computer literate. This may put them in a better position to cope with the online application system and wait for the first payment.

It is essential to recognise that many Universal Credit claimants, especially new ones, are in the situation they are in due to the pandemic. They have lost their jobs because of it, and are also less able to find a new job because of declining job opportunities. As mentioned previously, vacancies have decreased by 44% in London relative to pre-pandemic levels, compared to 11% fewer vacancies across the UK as a whole. We recommended that there is a need to focus on adequate support for the unemployed in addition to job retention, via the furlough scheme.

Process of claiming

Even once a household recognises it needs to claim Universal Credit, the application process is not always simple. We know, from our survey findings, that many claimants had difficulty navigating the system. This is despite this group of claimants comprising of a different demographic which, on average, should have been more computer literate than pre-pandemic claimants. Nearly one fifth said that they found the Universal Credit system either fairly or very difficult to navigate. Even those who did not say they found the system difficult made comments about ways in which they would like to see the system improve. Common complaints were:

- Difficulty finding the information they needed
- Difficulty in speaking to a real person when help was needed
- Not being confident using a computer

Many respondents went into great detail regarding the difficulty they had making their application. Especially with the understanding that in-person help could be limited for vulnerable persons well into the future, more could be done to accommodate those who may not be digitally skilled. We believe that there is much room for improvement around how the process is designed, especially in terms of how easy it is to speak to a human being about issues they are having. While the DWP have hired more staff, the experiences of our residents suggest that this is still a problem.

We are also unfortunately aware of additional difficulties respondents faced due to issues with the Universal Credit process. Out of our respondents, 10% reported suffering from missed payments, 10% reported having dealt with payment delays, and 9% reported having communications issues with the DWP. That respondents so frequently reported these sorts of issues is disappointing. While the DWP was dealing with record number of claimants, these sorts of problems can have significant negative impacts on those they affect. There should therefore be an emphasis on trying to prevent such issues.

“The system does not work well. It’s a nightmare. I am in a much worse financial situation now than I was before and I am struggling to get the back payments I am due. The fact I was underpaid has put me in arrears and has caused me to have a breakdown, the stress of it all. They treat you like third class citizens.”

Policy ask

Improve the application process by making it easier for claimants to speak with someone when they are having difficulty.

“I think you just put yourself into debt with Universal Credit.”

The wait for first payment

Previous Peabody research has found that the five-week wait for payment can cause hardship for many. There is also room for error and confusion during this period, with claimants often being unsure of how much money they can expect, and too frequently running into administrative errors which can leave them in debt or without funds. Almost a quarter who responded said that they had to wait more than the intended 5 weeks for their first payment.

Case Study

I applied for Universal Credit mid-July and I didn't get my first payment until the 17th of September. In the last two weeks it was becoming a bit of a struggle, so I ended up applying for the advance payment. The four-to-five-week period is fine but anything longer than that I think it's unacceptable because when you apply for Universal Credit all your benefits stop straight away. You budget yourself from the time you've told them that you've changed your circumstances until the time they give you your money. It's a long time to wait.

Some respondents found the experience of waiting for their first payment difficult: 9% reported suffering from stress, 8% said they suffered from anxiety, and 7% said they did not have enough money during the waiting period. On a multiple-choice question, 5% said they were unable to pay their bills, and 3% reported falling into arrears. These responses were more common for those who had to wait more than five weeks for their claim.

While the five-week wait is an improvement from the previous six-week wait, it is still too long for many. Our survey findings suggest that this is the case even for households which come from backgrounds which could have allowed for saving. This reinforces existing findings from our own previous research and that of others.

The five-week wait is “baked in” to the design of Universal Credit. This is due to the way in which it uses a real-time monthly assessment period, rather than tax credit-style end-of-year-reconciliations.² Suggestions have, however, been made for how to mitigate the impact of the five week wait. For example, Shelter have argued for advanced payments to be offered as a grant, rather than a loan.³ While an advanced payment is given as an option, we know that many are hesitant to take these, out of anxiety about going into debt. This is made worse by the fact that new claimants do not know how much their new Universal Credit payments will be, leaving them unsure of the implications of paying back the advance payment.

We would recommend that the introduction of cash advances for new claimants be addressed as a matter of policy in the upcoming budget.

Policy ask

Reduce the five-week wait to two to three weeks via the use of an upfront advance payment as a grant rather than a loan. The DWP should also ensure that nobody waits more than five weeks for payment.

“If they paid your first payment quicker that would be good because I wasn't expecting to have to wait a couple of months for that to come through.”

2 <https://www.resolutionfoundation.org/app/uploads/2020/05/This-time-is-different.pdf>

3 https://england.shelter.org.uk/_data/assets/pdf_file/0003/1827021/From_the_frontline_Universal_Credit_and_the_broken_housing_safety_net.pdf

Life on Universal Credit

Universal Credit is currently supporting many millions of households through unprecedented uncertainty, including multiple lockdowns, with many people not knowing if or when job opportunities will be available to them. Surviving on Universal Credit in the meantime is tough for many - One fifth of our respondents were not confident that they would be able to pay their monthly bills, including their rent.

Rent arrears

As a social landlord, we are very aware of the essential role a safe and quality home plays in people’s lives. Our status also means we have access to a datapoint that is indispensable for understanding how claiming Universal Credit impacts on claimants’ access to their homes: rent arrears. We can use our access to this data to give special insight into what impact claiming Universal Credit has on claimants’ ability to keep up with their rent.

As our previous research has found, the waiting period to receive a first payment is a very common cause of rent arrears.

The table below shows that the average arrears of our residents who are Universal Credit claimants are much worse than those of working age individuals who are not claiming Universal Credit. On average, Universal Credit claimants are in arrears almost 70% higher than the average arrears of working age individuals not claiming Universal Credit. We have chosen to compare the arrears of Universal Credit claimants and working age non-Universal Credit claimants at this is the fairest comparison. While in the past we have made comparisons between Universal Credit claimants and Housing Benefits recipients, as the roll out of Universal Credit has continued these demographics have begun to diverge. Housing Benefit recipients are now largely pensioners, making them a less comparable group to Universal Credit claimants.

Average arrears are not the only important statistic. There is also the statistic of how many are in 8 weeks’ worth of arrears, the point at which they may become at risk of eviction. Nearly a quarter of Universal Credit claimants are in arrears to this extent, compared to 7% of those who are working age and not claiming Universal Credit. Arrears of this level put households under the pressure of unsustainable and unmanageable debt. This can cause issues not only around household finances more generally, but also around mental health. It is also worth keeping in mind that the levels of arrears shown below are being reached in spite of our low rent levels. Universal Credit claimants living in private rented accommodation will likely be struggling even more.

“The waiting time from when you apply to when they get everything up and running for your first payment should be reduced to a maximum of 2 to 3 weeks maximum because it is a long time now and I know you can get an advance (payment) but you’ve still got to pay it back so it doesn’t help in the long run.”

Rent arrears of Peabody residents

	Universal Credit claimants (November 2020) £'000	Working age non-Universal Credit claimants (November 2020)
Number of residents (general needs housing)	10,914	32,161
Average arrears (for those in arrears)	£1,209	£728
Proportion in arrears	67%	39%
Proportion in arrears above 8 weeks’ rent	24%	7%

Low benefit rates driving hardship

Rent arrears are not the only issue that Universal Credit claimants are facing. Our respondents' experiences indicated that many are facing financial hardship despite claiming Universal Credit. Our findings suggest there are two key causes of this hardship. One, as discussed above is the impact of the wait for the first payment meaning that many claimants receive their first Universal Credit payment already in debt. The other finding is that the funds new claimants are receiving are not sufficient for many. This is despite the extra £20 per week that the DWP introduced to Universal Credit following the pandemic.

Of those we surveyed, one in ten reported having lacked food within the last month. Eight percent reported having had to use a food bank since they started claiming Universal Credit. Seven percent said that they'd had to go without essential clothing, and 6% said they'd had to go without essential toiletries.

When asked about whether claiming Universal Credit had impacted their health, nearly one fifth said that claiming had made their health slightly or much worse. Only 3% said it had improved their health in any way. Of those who said it had affected their health, 44% reported developing a new mental health problem and 31% said that claiming had worsened an existing mental health condition.

What it all means

The findings of this research are deeply concerning. A benefit which should be providing a safety net is instead worsening the mental health and financial wellbeing of many people claiming it. This is despite the extra £20 a week which the government introduced for Universal Claimants at the beginning of the pandemic. Removing the extra £20 a week lifeline will significantly increase hardship for the least well off who are already struggling. We, along with many other organisations, believe it is absolutely essential that the government extend the extra £20 a week for Universal Credit beyond the April 2021 deadline in perpetuity.

Policy ask

Maintain the additional £20 a week. Even with this extra payment claimants are struggling; to remove it would make even more face hardship during this unprecedented time.

Case study

I was panicking, suffering anxiety; I was angry that I've worked all these years, paid into the system and when I needed that support buffer, when I needed that help I got the bare minimum. And most importantly for me is I felt "it's not me that's suffering it's my kids" – and that's what really killed me inside because I wanted to give them everything they require when September came. They need school uniforms and they didn't understand and it just really impacted me and my confidence. I just felt a bad parent and I'm just failing them. It was really difficult to shake that off.

Conclusion

Our latest research has found that many new Universal Credit claimants are continuing to struggle. This is especially important given that these new claimants are often coming into the Universal Credit system with advantages over those who started claiming prior to the pandemic. We have three main policy asks, which we believe would greatly benefit not only those who are currently relying on Universal Credit, but also those who will come to rely on it in the future:

1. Reduce the five-week wait to two to three weeks via the use of an upfront advance payment as a grant rather than a loan. The DWP should also ensure that nobody waits more than five weeks for payment.
2. Improve the application process by making it easier for claimants to speak with someone when they are having difficulty.
3. Maintain the additional £20 a week. Even with this extra payment claimants are struggling; to remove it would make even more face hardship during this unprecedented time.

Universal Credit has done a commendable job in assisting so many new claimants during the pandemic period. Although some struggled with the process, it has also been a lifeline for many at a time when they needed it. However, this research has highlighted that there are still ways in which it should be improved. These issues need to be addressed urgently as there is likely to be another influx of claimants following the end of the furlough scheme. We at Peabody will continue to work with the DWP to improve Universal Credit so it provides an adequate safety net, protects against hardship and supports people to recover financially.