

# **Written evidence submitted by Turn2us for Work & Pensions Select Committee Inquiry: DWP's response to the coronavirus outbreak**

## **About Turn2us**

Turn2us is a national charity that provides practical information and support to millions of people across the country. We work alongside those who have experienced not having enough money to live on to develop practical information and support that helps people cope with life-changing events such as job loss, illness or bereavement. This includes information on the benefits they are entitled to; and the support they can access through charitable grants.

Each year, we give approximately £3m to households struggling to make ends meet and help over three million people towards greater financial stability through our website and helpline. Over seven million people visit the Turn2us website over the course of the year; and our helpline which provides guidance to individuals on their benefit entitlement handles roughly 80,000 enquiries. Many of the people we support have been affected by a life-changing event that has affected their income and put them at risk of financial crisis.

## **Since the coronavirus pandemic**

The coronavirus outbreak has led to an unprecedented demand for our services. We have seen a 438% increase in people checking their entitlement to benefits, with over 680,000 households completing a benefits calculation. During the same period, over 140,000 households searched for a charitable grant for financial support: a 109% increase in demand for financial support.

## **Summary**

- We estimate 3.46 million households will apply for Universal Credit as a result of coronavirus
- Many people seem to be struggling with verification, or reaching the DWP by phone or journal.
- Potential delays and the five week wait for Universal Credit risk throwing a significant amount of people into financial hardship.
- A large group of people claiming have never interacted with the benefits system before – 560,000.
- Digitally excluded people may particularly struggle with managing their claim at this time.
- DWP communications have at times being lacking in detail, and many people are unclear about how the new crisis schemes interact with the existing benefits system.
- Capital should be temporarily disregarded under Universal Credit to bring it in line with SSP.
- Protections need to be put in place to safeguard legacy benefit claimants.
- Policies such as the Benefits Freeze, Benefits Cap, and Two-child Limit have undermined the adequacy of support.
- Renters are at particular risk of financial crisis – Local Housing Allowance rate should be uplifted to the 50<sup>th</sup> percentile.
- Households with children are more likely to have experienced a change to their employment – Child Benefit should be increased by £10 per week per child.

## Questions from the committee

### 1. How well is the Universal Credit system working for the unprecedented numbers of new claimants?

#### Capacity

We are concerned about the DWP's capacity to continue to support new claims as the crisis continues. Although over a million people have already made new claims we believe that this number will continue to rise. Analysis of a national representative survey of 2,000 people we commissioned indicated that an estimated 3.46 million households are planning to make a new claim for Universal Credit, as a result of coronavirus (including the approximately 1.4 million people who have already done so). This suggests that the DWP has so far only seen roughly a third of new claims.

This modelling should provide a useful indicator of the potential scale of new claims the DWP will need to process. 15% of respondents planned to make a new Universal Credit claim as a result of coronavirus. Among 18-24 year olds, that figure rose to 28% of respondents.

#### User experience

Feedback from our users on their experience of claiming Universal Credit for the first time has been mixed. Some people appear to have had a smooth journey but haven't received their first payment yet – due to the five week wait – so it is difficult to say whether the system has successfully dealt with their claim yet.

“They got in touch with me on Monday I had my interview over the phone I told the person I wasn't very well and he said he would make sure that everything was okay and not to worry about anything but getting better he was very, very good”

Many others have experienced delays and complications, particularly around **verification**.

“I made an application 15 days ago and have heard nothing apart from a confirmation text and email after filling in application”

“I've been ringing for days and requested a call back on my journal over a week ago.”

“I've been on the line almost two hours. Can't access my account as my new PSN hasn't arrived. Can't read the messages I'm told have been dropped in my journal. Can't accept my commitments.”

We're also concerned about whether some claimants may end up in a position where they **won't get their first payment on time** and for the right amount because the first appointment to go through their claim isn't until after the end of their first assessment period.

A number of our users have talked about difficulties getting through on the phone, with some stating that the DWP have changed the opening hours of the UC helpline. We have not been able to verify this so we are not certain if this has been the case at all or whether it may be a localised issue.

“I need some help I haven’t been able to get through I’ve left multiple messages on my journal and still nothing. Also the opening hours keep changing and they keep turning the phone service off.”

We believe this could potentially be due to the phone system being so overloaded that some people haven’t even managed to get into the hold queue. We understand that the DWP has changed its processes so it will now call claimants rather than the other way round – but it hasn’t necessarily updated all of its messaging on this.

### **Five week wait**

The final area of concern for us on this issue is **the five week wait for Universal Credit**. This delay in receiving a first payment could push many people into debt or force them to use up any saving put aside for a rain day at the very start of a period of great uncertainty. The current Advanced Payment provision is inadequate as the subsequent deductions to pay it back are unaffordable for many and the cap on deductions is too high. This can explain why the take up of Advanced Payments has been so low – many people are seeking alternatives to tide them over.

We welcome the government’s decision to temporarily halt deductions but we believe the DWP should go further and immediately end the five week wait for Universal Credit by making advances non-repayable, or seeking a longer term solution such as changes to the assessment period process or backdating.

## **2. How do the needs of people claiming UC for the first time now differ from the needs of groups who’ve claimed UC in the past? How well is Universal Credit working for these new groups of people?**

### **New to the system**

The coronavirus outbreak represents a major life changing event that was entirely unexpected for the whole population. Many people are moving onto Universal Credit when they never would have expected to need to claim benefits. Analysis from our aforementioned survey estimates that 560,000 new households are planning to claim Universal Credit now, when they have never claimed a benefit before in their life. This will include many people who are usually more affluent than the typical claimant – which may in turn mean that they have great financial commitments such as rent.

### **Self-employed**

Another particular large cohort of claimants is the self-employed: we have witnessed an 1800% increase in the amount of self-employed people using our benefits calculator. One interesting aspect to monitor as the crisis ends is how easily this group manages to exit Universal Credit as the crisis ends in comparison to employees. This may be slower due to the speed at which it is possible to pick up business again.

## Digital exclusion

An important consideration in terms of claimant needs at this time is the barriers that the lockdown impose – particularly for the digitally excluded. People without internet access or digital skills are going to find it exceedingly hard to manage their claim if not impossible. There's a danger that this group risks being left without support, or that there are significant delays whilst the DWP and support agencies deal with their backlog.

### **3. Are there any indications of how well the UC system will work for these claimants as they move into work in the short- to medium-term?**

#### **Advantages over legacy system**

Universal Credit should be better suited to helping people transition back in to work after the lockdown ends than the legacy system. The tapering of Universal Credit unlike the 16 hour cut of point for Working Tax Credit could provide greater flexibility for people who are moving back into work but may not be able to get straight back to full time. As we do not yet know what the end of lockdown looks like this flexibility may be useful if for example business open at a reduced capacity to begin with or business open whilst schools or nurseries remain closed.

#### **Need for flexibility**

One area of concern may be work conditionality. The rules will have to remain flexible and take into consideration the state of the labour market and economy, which may look very different after this crisis is over. Many businesses may close down and competition for jobs may be more intense, leading to many people staying on Universal Credit longer. Work coaches will need to take this into account whilst managing claimant commitments.

We would also recommend that the suspension of the Minimum Income Floor for self-employed people is made permanent or at least extended for a significant period after the crisis ends, whilst business get back on their feet.

### **4. How well is the benefits system working for self-employed people who aren't able to access the Government's Self-employment Income Support Scheme? Is there a case for temporarily suspending the capital limits in UC during this period?**

#### **Disadvantaged groups**

**Steve (51), a mechanical engineer in the car industry**, was made redundant in January 2020 and has been doing self-employed handyman jobs ever since in order to earn some money prior to finding a new long-term job. He told us:

“Newly self-employed people like me have been unfairly overlooked. Couldn't the government could use our previous employment tax records to work out suitable grants for us?”

There are a number of groups in particular who are losing out due to the nature of the Self-employment Income Support Scheme:

- Recently self-employed
- People who pay themselves through dividends
- Gig workers who earn less than 50% of their income through self-employment

These groups clearly have a worse deal than people who are eligible for the scheme and their exclusion seems to be based more on the complexities of verifying the amount they should get than need. Universal Credit appears to be acting as a safety net for people who are not eligible for the scheme but is a poor substitute unlikely to match 80% of their income.

### **Assessment period challenge**

One aspect that some self-employed people may find challenging is the monthly reporting requirements of the Universal Credit assessment period. Many people who are self-employed receive irregular payments from customers which could impact on their entitlement. At a particularly turbulent time this could be worse than normal.

### **Capital limits**

We believe that there is definitely a case for temporarily suspending capital limits in Universal Credit during the outbreak. The Chancellor of the Exchequer has expressed an intention that Universal Credit for self-employed people should be equivalent to Statutory Sick Pay, which is not means tested. Disregarding capital would enable a balanced form of support between employees and the self-employed.

“I do not qualify for UC, as my partner has been furloughed (gross about £250 a week on the 80%) and I have some savings that allowed me to go self-employed on the 7th April 2019. I feel I am being penalised for being responsible for my own safety net (i.e. saving for ‘a rainy day’). My savings are now providing me with an income as I cannot see through the work I had lined up due to public organisations having to close.”

## **5. How effective have DWP’s communications with the public been during this period?**

### **Need for clarity**

There has at times been a lack of clarity on detail, particularly immediately following new announcements. As an information service it has been challenging to keep our information pages and Benefits Calculator up-to-date, especially immediately following a new announcement when people have sought more detail which has yet to be published by the DWP.

We’ve heard from a number of individuals who have been confused by messaging or struggled to get the support they need from the DWP. As of 9th April, the online claims process is still asking people to agree to look for work and still telling them to phone up to book an appointment at the jobcentre. The DWP urgently need to make changes to their online claims system so people get the right

information about how to progress their claim. Certain people have found themselves going around in circles:

“Stuck in the vicious circle of check gov uk advice which is saying if already receive UC use your journal for advice and the replies on the journal to ‘check gov web page’”

There’s also been a lack of clarity for existing claimants on conditionality. The department has seemed unwilling to officially publicise a statement on this beyond remarks at the select committee. This has caused anxiety and confusion for claimants.

“I don’t understand the sanctions as I thought they had stopped them for three months.”

“If there are no responses to me putting job searches in will it be cancelled as I have not tried to find work?”

We’ve also seen at least one instance of someone being given highly dubious advice about their rental situation from DWP staff:

“The Job Centre told me not to pay my rent when I asked what I was supposed to do. I said it goes against all advice and they said ‘what are they going to do about it, no one else will be able to rent.’”

## **6. How easy is it for people to understand what they’re entitled to claim? For example:**

- **Is it clear enough how the benefits system interacts with other forms of Government support during this period, such as the Coronavirus Job Retention Scheme?**
- **Is it clear enough how public health guidance interacts with the benefits system?**

### **Confusion between parts of the system**

Feedback from our helpline has been that many people are unclear on exactly how these schemes interact with Universal Credit, and in particular on whether a claim for Universal Credit now will affect their claim for the Self-employed scheme. Although for many in this situation they will have no choice but to claim Universal Credit in order to tide them over until the taxable grants are given through the scheme.

A particular point of confusion is how the self-employed scheme will be treated for Universal Credit, and whether it will only be treated as income within the assessment period the grant is received or if it will be backdated. DWP guidance on these schemes is possibly being treated too much in isolation of the wider benefits system.

Additionally some people also appear to be confusing eligibility criteria for the schemes with Universal Credit criteria:

“I’ve been freelance for under 12 months so am not eligible for Universal Credit; relying solely on my savings... What options do I have?”

The initial lack of clarity about distinctions between self-isolating due to illness and other reasons why people are unable to work have been resolved but contributed towards initial confusion. The fast changing nature of some of the announcements has possibly led to some people believing they have claimed everything they are eligible for having failed to notice new changes.

## **7. Have people who were already claiming benefits when the outbreak began seen any changes to the support they receive from DWP?**

### **Equitable rises for legacy benefit claimants**

It's important to remember that benefits have been frozen for four years prior to April and so many people were already struggling with the cost of living before this crisis began. There are many people on legacy benefits who don't benefit from the increases to Universal Credit or Working Tax Credit. Equivalent rises should be applied across the board.

Although some people on legacy benefits could theoretically move to Universal Credit this will mean that once the temporary increase is removed they could lose out on transitional protection they may have been able to access under managed migration. The migration process could also be highly disruptive to a lot of claimants, especially at a time when they could be struggling with the scale of new claims.

### **Need for protections**

The extraordinary consequences of the coronavirus outbreak could have a highly disruptive impact on people's incomes and entitlements. Legacy benefits claimants need to be protected from this as much as possible. At present many of them may find themselves forced into natural migration to Universal Credit as a result of a change in their income (or hours under Tax Credits).

The DWP should carry out an assessment of the capacity of the legacy benefit and Universal Credit systems to determine whether a pause or halt to natural migration would provide less disruption to legacy claimants' lives, and DWP capacity during the coronavirus crisis.

### **Access to debt management support**

Another area of concern is that not that the DWP has suspended all collection of debts other than Advances and taken all staffing away from Debt Management team to support processing new claims, how do people who need a break in repaying their advances access it?

## **8. Are people who are claiming benefits receiving enough money to cover their basic living costs during this period?**

### **Adequacy of financial support**

Policies such as the Benefits Freeze have meant that many people were already struggling with the cost of living prior to the coronavirus outbreak; this will be exacerbated by potential scarcity at supermarkets and people's desire to limit their trips to shops, which will make it harder for people to shop around and get a good deal.

The increase to Local Housing Allowance rates to the 30<sup>th</sup> percentile is a welcome step but does not go far enough. The current support assumes that people can move home or look for work; both of which are currently next to impossible. We would recommend that Local Housing Allowance should be lifted further to the average cost of local rents (50<sup>th</sup> percentile).

Increasing the standard allowance under Universal Credit and LHA rates have both been important steps in supporting people financially through the outbreak but these measures will not be felt by people affected by the Benefit Cap:

“I am self employed and just got my payment for this month, its pennies. I may just open my business back up or my children will starve, took half my money for benefit cap. Don't tell us to stay at home when financially we can't”

Additionally, families who are new to the benefits systems may found themselves hit hard by the Two-child Limit, despite either not being aware of the policy at all or planning to have more children when they were in a stable financial position. We would recommend that the Benefit Cap and Two-Child Limit are suspended for the duration of the crisis.

### **The impact on children and families**

We're particularly concerned about families with children. According to our survey data families with children are more likely to have had their employment status affected by coronavirus than childless households (57%, 37%). Our survey also found that over 1.7 million households, including 2.1 million children, are currently unable to afford food due to coronavirus affecting their employment. Additionally, over 2.2 million households, including 2.5 million children, are currently unable to afford rent or mortgage payments due to coronavirus affecting their employment.

We would recommend that uplifting child benefit by £10 per child per week as this offers an effective and fast way of reaching the families of 12.7 million children to help them cover additional costs. Child benefit has been subject to freezes and sub-inflationary uprating since 2011 and it would take more than a £5 increase just to restore its value.

An increase in child benefit of £10 per child per week, on top of the proposed uprating from 6 April, would reduce child poverty by around five percentage points and household poverty by one to two percentage points. This would be more effective in reducing child poverty than the already announced £20 increase in Universal Credit and Working Tax Credit.



**9. Are there groups of people who need support but aren't able to access it through the benefits system? What should DWP be doing to support those people?**

As mentioned above the government should consider temporarily removing the capital threshold for Universal Credit for the duration of the outbreak.

People with No Recourse to Public Funds should receive support during the Coronavirus outbreak if these exceptional circumstances are preventing them from earning their usual income. This should be done not only on humanitarian grounds but for the sake of public safety. Without support many people with No Recourse to Public Funds may feel it is necessary to ignore government advice about staying at home and social distancing.

**10. Are support organisations and charities able to access the resources they need from DWP to support vulnerable people? What more could DWP be doing to facilitate that support?**

Largely existing DWP communication mechanisms, such as its website and Touchbase, have been helpful. Other routes for direct support have been less so, for example the department chose to temporarily close down the Universal Credit basecamp to focus resource elsewhere. This could have proved a valuable resource for charities and the department to ensure correct information and advice and raise any concerns. We would welcome a forum for sharing our data and insight with DWP officials.