

# Universal Credit

**A look at the implementation of Universal Credit and how this will affect supported employment.**

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September 2013**

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# Universal Credit

- Background to change
- Overview of UC
- Issues for claimants and advisers

- Biggest change since the benefit system was introduced
- Aim is to improve incentives to work and make work pay
- Simplification
- Reduce cost

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# Welfare reform

- Welfare reform act March 2012
- £18bn savings
- Changes to structure of benefit system
- Localization of benefit and support
- Benefit cap
- Conditionality

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# Universal Credit

- Replaces all working age means tested benefit
- 7.5 million households affected
- One single benefit
- Paid monthly
- Easier to understand
- Claimant commitment
- Online claim
- Real time adjustments

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- Income Support
- Income Based JSA
- Income based ESA
- Housing Benefit
- Working Tax Credit
- Child Tax Credit

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# Implementation timetable

## Pathfinder JCP

- April 2013 Tameside
- July 2013 Wigan, Warrington and Oldham

## National Roll out – now on hold

- October 2013 - non working claimants
- April 2014 – working people

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## Features

- Paid monthly to one member of the household
- Includes housing costs, paid to claimant
- Claimed by people working or not working
- Digital by default – managed online

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# Basic rules

Claimant must normally:

- Be at least 18 years old
- Under the state pension age
- Be in Great Britain
- Not in education
- Have accepted the claimant commitment
- Have capital less than £16,000

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# What is the claimant commitment?

- No work related requirements
  - Those in the support group
  - Those with children under 1
  - Those over SPC age
  - Some pregnant women
  - Carers
  - For 13 weeks “recent victims” of domestic violence
  - Those with earnings over 35 x national minimum wage

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- Work focused interview
  - Those with a child/children aged 1 – 4
- Work preparation
  - Those people in the Work Related Activity Group
- Work search/availability
  - Everyone else

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# Disability

Two elements are available for people with disabilities, illnesses or other conditions that affect their capability for work. UC claimants who wish to obtain these elements will have to undergo the same work capability assessment as ESA claimants.

Limited capability for work element (LCW) and limited capability for work related activity element (LCWRA)

The **limited capability for work element = £123.62**, paid where someone passes the LCW test of the work capability assessment.

The **limited capability for work and work-related activity element =£303.66** paid instead, if they pass the LCWRA as well as the LCW test.

The capability for work (CW) elements only become payable after 3 months, except in very limited circumstances (e.g. the claimant is terminally ill).

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# Overpayments

- Any overpayment will be recoverable regardless of how it has occurred
- Recovery can be made by deductions from earnings

# UC and employment

- No such thing as permitted work
- Earnings disregards will be called “work allowance” and varies depending on circumstances
- People with no housing cost receive a higher level of work allowance
- Earnings taper of 65%

# Earnings disregards

## Single and has rental costs

No children or qualifying young person	£1,330 (£111 a month)
Responsible for 1 or more children or qualifying young person	£3,159 (£263 a month)
Has limited capability for work	£2,306 (£192 a month)

## Single and has NO rental costs

No children or qualifying young person	£1,330 (£111 a month)
Responsible for 1 or more children or qualifying young person	£8,812 (£734 a month)
Has limited capability for work	£7,759 (£647 a month)

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**Claimant has partner and has rental costs**

No children or qualifying young person	£1,330 (£111 a month)
Responsible for 1 or more children or qualifying young person	£2660 (£222 a month)
One or both has limited capability for work	£2,306 (£192 a month)

**Claimant has partner and NO rental costs**

No children or qualifying young person	£1,330 (£111 a month)
Responsible for 1 or more children or qualifying young person	£6,429 (£536 a month)
One or both has limited capability for work	£7,759 (£647 a month)

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# Example

Client is 24 years old and receives DLA mid care high mob. He is assessed as having a limited capability for work. Has rent of £400 per month and earns £416 per month.

What will he be entitled to under Universal Credit?

- Standard allowance            £246.81 pm
- LCW element                    £123.62 pm
- Housing costs                   £400.00 pm
- Total                                £770.43 pm
  
- Earnings                          £416.00 pm
- minus
- Work allowance                £192.00 pm
- Total                                £224.00 pm
  
- £224.00 x 65% taper = £145.60 pm

**UC payable is £770.43 - £145.60 = £624.83**

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# Issues

- Monthly assessment
- No concept of permitted work or supported employment
- Housing costs
  - no mortgage interest if working regardless of hours
  - Higher earnings disregard for those who have no rent costs