

Better
Housing
Briefing

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**Universal Credit
and impact on
black and
minority ethnic
communities**

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Key messages

- 1 Members of black and minority ethnic communities are likely to be disproportionately impacted by Universal Credit (UC).
- 2 Black and minority ethnic families are more likely to be living in poverty and therefore likely to be receiving benefits and/or tax credits. They will have lower levels of financial resources to cope with delays in payment. The move to UC will affect a disproportionate number of minority ethnic people.
- 3 Language barriers and higher levels of digital exclusion will mean that a disproportionate number of black and minority ethnic claimants will find it harder to apply for UC and be more likely to be sanctioned for failure to meet claimant commitments.
- 4 Black and minority ethnic families are larger on average, and so disproportionately impacted by UC. Consequently, reduced payments, delays in payment or sanctions will lead to an increase in the number of minority ethnic children living in poverty.
- 5 UC aims to incentivise people into work. However, the Work Programme has been found to be failing black and minority ethnic people. Therefore black and minority ethnic families are more likely to remain in workless households or on low and insecure employment.

Introduction

Universal Credit (UC) is a means-tested, single payment for working age adults, delivered monthly to a single member of the household and paid in arrears (Department for Work and Pensions, 2015a). The Institute for Fiscal Studies (IFS) emphasises that although the tax credit cuts will no longer occur, spending within UC will be less (Institute of Fiscal Studies, 2015).

This briefing paper summarises the details of UC, the plan for its national roll-out and the potential impact on minority ethnic communities as at January 2016.

As part of the Government's objective to reduce the public sector deficit, it has implemented rolling and substantial cuts to funding for public services; particularly welfare benefit spending. The 2010 Comprehensive Spending Review announced £34bn in cuts to funding for public services by 2012-13, totalling £81bn by 2014-15 (HM Treasury, 2010). The Spending Review and Autumn Statement for 2015 announced further reductions of £12bn in welfare spending by 2019-20 (HM Treasury, 2015). "This spending review is still one of the tightest in post war history. Total managed expenditure is due to fall from 40.9 per cent of national income in 2014-15 to 36.5 per cent in 2019-20" (Institute of Fiscal Studies, 2015). The centrepiece of this welfare reform is the introduction of UC.

1 Context for black and minority ethnic families

People from black and minority ethnic communities are more likely to be living in poverty. On average they experience greater barriers to obtaining work and higher levels of low pay. This means black and minority ethnic households, on average, receive a higher proportion of income from working age benefits or tax credits (Khan, 2015).

According to the Joseph Rowntree Foundation (Barnard, 2014) “Poverty is higher among all ethnic minority groups than among white British people in the UK, but there is variation within and between ethnic groups”. Analysis of the Family Resources Survey 2013 to 2014 (Department for Work and Pensions, 2015c) reveals the demographic distribution of income. From 2011 to 2014, head of households by ethnic group and total weekly household income, shows Indian households earn, on average, more than any other group, more than £1000 per week (34 per cent); whilst 52 per cent of ethnic groups categorised as “Black/African/Caribbean/Black British” households and 47 per cent of Bangladeshi households earn less than £300 per week.

The Joseph Rowntree Foundation highlights how the intersections of race, gender, and class work together to affect minority ethnic lives and access to opportunities. “Ethnicity interacts with gender, class, education, disability and geography to affect poverty. Racism and discrimination are major factors limiting opportunities for people from ethnic minority groups” (Barnard, 2014). 91 per cent of the 2 million lone parents with dependent children in the UK are women (Office for National Statistics, 2014). Analysis of the Family Resources Survey 2013 to 2014 (Department for Work and Pensions, 2015c) shows:

- 79 per cent of one parent households with one child earn less than £500 per week compared to 27 per cent of two parent households.
- 66 per cent of one parent households with two children earn less than £500 per week compared to 18 per cent of two parent households.
- 50 per cent of one parent households with three or more children earn less than £500 per week compared to 14 per cent of two parent households.

Furthermore, 75 per cent of Pakistani and Bangladeshi children and 50 per cent of black children aged seven live in poverty (Institute of Education, 2010).

People from all black and minority ethnic groups are less likely to contribute to a pension (Department for Work and Pensions, 2015c). 27 per cent of pensioners who live in households where the head of house is of Asian/Asian British background live in low income households compared to the equivalent white households which represent material deprivation of 18 per cent compared to 8 per cent for white households (Department for Work and Pensions, 2015b).

According to Scope the numbers of minority ethnic people who are defined as disabled are an underestimate partly due to “a lack of robust data on the BME [black and minority ethnic] disabled population, it is extremely difficult to produce more accurate estimates” (Trotter, 2012).

2 What is Universal Credit?

The Government's stated objective is to simplify the benefits system by consolidating a number of benefits into one payment. UC is a means-tested benefit for working age adults who are unemployed and looking for work; incapable of work due to illness or injury and on low or no income; or in work but on a low income, paid monthly to a single member of the household. It replaces a range of working-age benefits, including housing benefits and tax credits (DWP, 2015d), incorporated into a single payment made in arrears. The minimum time that applicants can receive their first payment is seven weeks after the application. The first seven days is a ‘waiting period’ and claimants will not receive any payment for this week. The first payment is six weeks after the waiting period (and thereafter monthly) and only then if the application is successful and has not encountered any problems¹. Claimants will need to open a bank or building society account order to receive the payments. With the notable exception of Housing Benefit and Job-Seekers Allowance (which are paid in arrears every two weeks) many other benefits are paid every four weeks and are not in arrears.

¹ Applicants in financial difficulty can apply for a Short Term Benefit Advance (STBA), but has to be done within 21 days of making the initial application. At the same time applicants can request for budgeting advice.

In all but exceptional cases, people in receipt of UC will be required to pay rent directly to their landlord out of their UC payment. Applicants are required to adhere to a 'claimant commitment' which can include an obligation to look for work for 37 hours per week, as agreed with their Work Coach in order to continue to receive this benefit. This is meant to be tailored to the individual and therefore at the discretion of the Work Coach which means that the commitment is open to interpretation by the Work Coach.

Knock out factors

Claimants have to meet 'gateway conditions' in order to be able to apply for UC, for example homeless claimants or those without bank or building society accounts cannot apply (Child Poverty Action Group, 2015).

Families who have three or more children after 6 April 2017 and claiming UC for the first time will no longer receive the Child Element of tax credits and UC (HM Revenue and Customs, 2015) for the third child or subsequent children. Families with disabled children will be exempted.

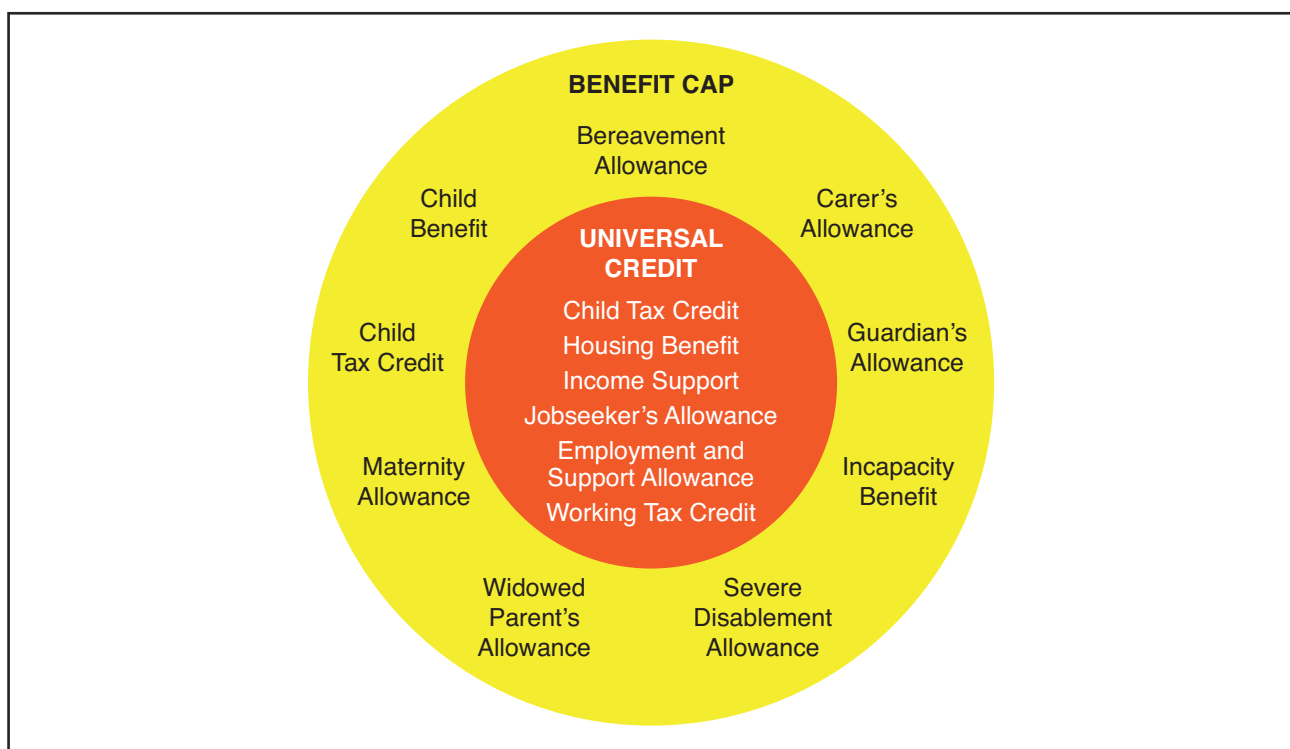
Interruptions to Benefit

Claimants can be sanctioned, which means their benefits stop, for up to 1095 days depending on the severity of the sanction. Sanctions may be imposed on claimants for failure to meet the obligations placed on them by the Job Centre (Child Poverty Action Group, 2015)².

Benefit Cap can be applied to relevant individuals and families on UC. Income reductions are taken initially from the housing costs portion of UC.

The following diagram shows the benefits that have become part of UC, the benefits that are included in the Benefit Cap, and benefits that are within UC and are subject to the Benefit Cap.

Diagram 1: Benefits included within Universal Credit and Benefit Cap



2 If sanctioned and providing other conditions are met, claimants can apply for hardship payments (which are reduced benefit payments) at the discretion of DWP.

3 Roll-out of Universal Credit

UC was introduced in April 2013 to 'single non-householders' and subsequently extended to new areas and to include new claimant couples. The Government's current plan is for all new claimants to be subject to UC by 2017 and from 2018 to 2021 most claimants who received means-tested benefits and tax credits will be on UC (Child Poverty Action Group, 2015). However, the timetable for the roll-out has been amended a number of times and it is anticipated that there will be further changes (Child Poverty Action Group, 2015).

Roll-out of Digital Service

The roll-out of the digital service will begin in May 2016 where all benefit services are going digital (with little scope for non-digital alternatives for those with access problems). The application process for UC is online so applicants have to have online access to make a claim (and, eventually, to manage their claim). The benefits claimants receive, or are entitled to, are determined by their circumstances. The digitalisation agenda only impacts how applications are made and processed, and does not determine the amount of the award.

Under the digital service the above mentioned knock-out factors will no longer apply, so all new claimants in job centres operating the digital service will receive Universal Credit instead of legacy benefits.

4 The impact of Universal Credit on black and minority ethnic communities

Since 2010 the number of families eligible for tax credits has fallen. As part of the Spending Review, the Government have illustrated how fewer families are to receive tax credits. In 2010 nine out of ten families with children were eligible for tax credits; however under UC this will be reduced to five out of ten families by 2017. (HM Treasury, 2015). Furthermore the Institute for Fiscal Studies (IFS), in their analysis of the move from benefits to UC, have estimated 2.6 million families will be £1600 a year worse off against 1.9 million families better off by £1400 (Institute for Fiscal Studies, 2015). These cuts affect the poorest, and minority ethnic families will be disproportionately affected by these cuts as they are more likely to be receiving benefits and experience higher barriers to obtaining work (Catney and Sabater, 2015).

The Government's equality impact assessment of UC (Department for Work and Pensions, 2011) does not distinguish between a male and female head of household within two adult households. Tax credits are terminated, for example, if a woman's partner claims UC or if she moves in with a partner who is claiming UC. Research into the impact of the spending cuts on minority ethnic women found that the single monthly payment to the head of household will not only make it more difficult to budget but also reduces women's financial independence and UC will leave them without access to an independent income (Sandhu *et al.*, 2013). The Women's Budget Group (2012) recommend that couples claiming UC should be allowed the option of splitting the award into separate accounts and to receive a portion of the award in advance to facilitate budgeting – splitting is only currently allowed under 'very exceptional circumstances' as part of Alternative Payment Arrangements (Department for Work and Pensions, 2015e).

According to the government's impact assessment, only 60 per cent of potential UC households will be entitled to a disability benefit (Department for Work and Pensions, 2011). Minority ethnic people who are disabled are disproportionately impacted by the changes to benefits as they are more likely to be in receipt of benefits and be within the lower socio-economic groups.

Language Barriers

The Government acknowledge that there is a lower rate of black and minority ethnic people claiming benefits due to barriers such as language, but they suggest that the replacement of a number of benefits into a single benefit under UC will aid people who experience language barriers (Department for Work and Pensions, 2011). For people who experience language barriers, the barriers exist whether the application is for one or multiple benefits. Furthermore, only online applications are accepted for UC; this digital exclusion disadvantages people who experience language barriers and lack IT skills as it not only hinders the application process but also enforces lack of knowledge of how the welfare systems work. For example, if claimants want to appeal the original decision they must request a review of the decision, termed a mandatory reconsideration. There are strict time limits and the application for a mandatory reconsideration is detailed in a 32 page electronic document. Women from minority ethnic backgrounds who experience language barriers are then particularly vulnerable to being exploited as a result of lack of understanding of the systems as well as lack of access to finances. Furthermore, those claimants experiencing complex issues in their lives, such as mental health issues, in addition to language barriers, will most likely find that the process is a barrier to obtaining an appeal.

Any claimant who does not meet the claimant commitment can be sanctioned. An understanding of the responsibilities within the commitment may be affected if a claimant experiences mental health problems or language barriers, for example, and this can lead to them being sanctioned and result in receiving less money in their payment.

Children

The Government's impact assessment identifies 16 per cent of UC claimant households will be of minority ethnic backgrounds, higher than the percentage of population as a whole (Department for Work and Pensions, 2011). They argue black and minority ethnic households are on lower incomes and therefore are unaffected by UC limits. However the Benefit Cap limits are to reduce in autumn 2016 and therefore more families will receive less income via benefits, pushing many more into poverty. As minority ethnic families are overrepresented as UC claimants they are more likely to be affected by the reductions in autumn 2016. Furthermore, changes to UC for families with three or more children will disproportionately impact on minority ethnic communities who tend to have larger families. This can push more children into poverty. Furthermore JRF warns that most of claimants on UC are single males under 25 and therefore impact on families is not yet fully known (Joseph Rowntree Foundation, 2015).

Employment

Claimants must agree to a 'claimant commitment' which specifies the requirements the claimant must fulfil such as demonstrating that a certain number of jobs have been applied for each week.

Claimants can be sanctioned if they are considered not to be meeting their responsibilities under the claimant commitment (Department for Work and Pensions, 2015). People from black and minority ethnic backgrounds face discrimination in the labour market and are more likely to be in lower paid and insecure employment. With insecure employment, for example zero hour contracts, people's earnings can fluctuate from one week to the next. Employers are required to submit weekly details of earnings so the UC payment can be adjusted accordingly. However this relies on employers making accurate and timely submissions. As black and minority ethnic people are more likely to be in insecure employment, they are more likely to be affected if there are incomplete or erroneous submissions of their weekly earnings (Trade Union Congress 2015). Vulnerable people, who may not have the confidence or ability to check their payments and indeed ensure they are correct, can be adversely affected by this process.

Furthermore, there is evidence that the Work Programme is failing to meet the needs of minority ethnic people. A National Audit Office report into The Work Programme found that the contractors planned to spend up to 54 per cent less on harder to reach groups than originally contracted (NAO, 2014). This has a severe

impact on people's abilities to gain employment and further impacts on the continued cuts to benefits they are experiencing. It is important to note that the Work Programme is scheduled to end in 2017, and is not being replaced by a similar programme for the same cohort. Therefore by current forecasts, a majority of the migration to UC will have taken place, and so Work Programme contracts will no longer be issued.

Conclusion

Black and minority ethnic communities are disproportionately impacted by UC due to residing in lower socio-economic groups, experiencing language barriers and lack of confidence in and use of IT. These barriers are hindering them as a result of contractors spending less on harder-to-help groups. Women in particular are vulnerable to reduced financial independence as a result of the single monthly payment to head of households. Black and minority ethnic children will be disproportionately impacted by UC as a result of reduced payments to larger families. These need investigating at a local and national level and action taken to correct problems identified.

Local Authorities and Government need to monitor impact on minority ethnic households as UC is rolled out to more and more families and will, in particular, impact on child poverty.

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