

Universal Credit: welfare that works

Adam Taylor

17 March 2011

Twin problems

- Poor work incentives
- Complexity

How UC addresses these twin problems

- Increased, and much clearer, returns on work
- A single, integrated, working age benefit

The existing system

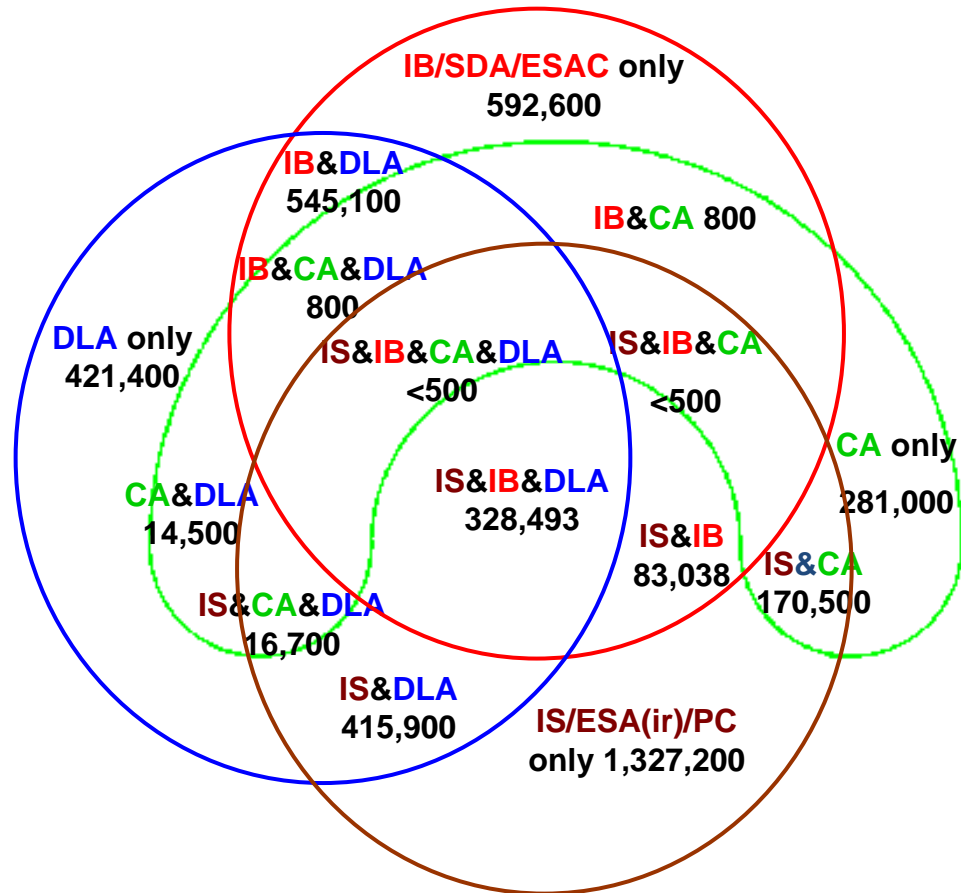
BB/WB with another non-JSA benefit
14,600

BB/WB only
93,500

All other combinations
< 500

JSA with another benefit
29,000

JSA only
1,456,100



Scope

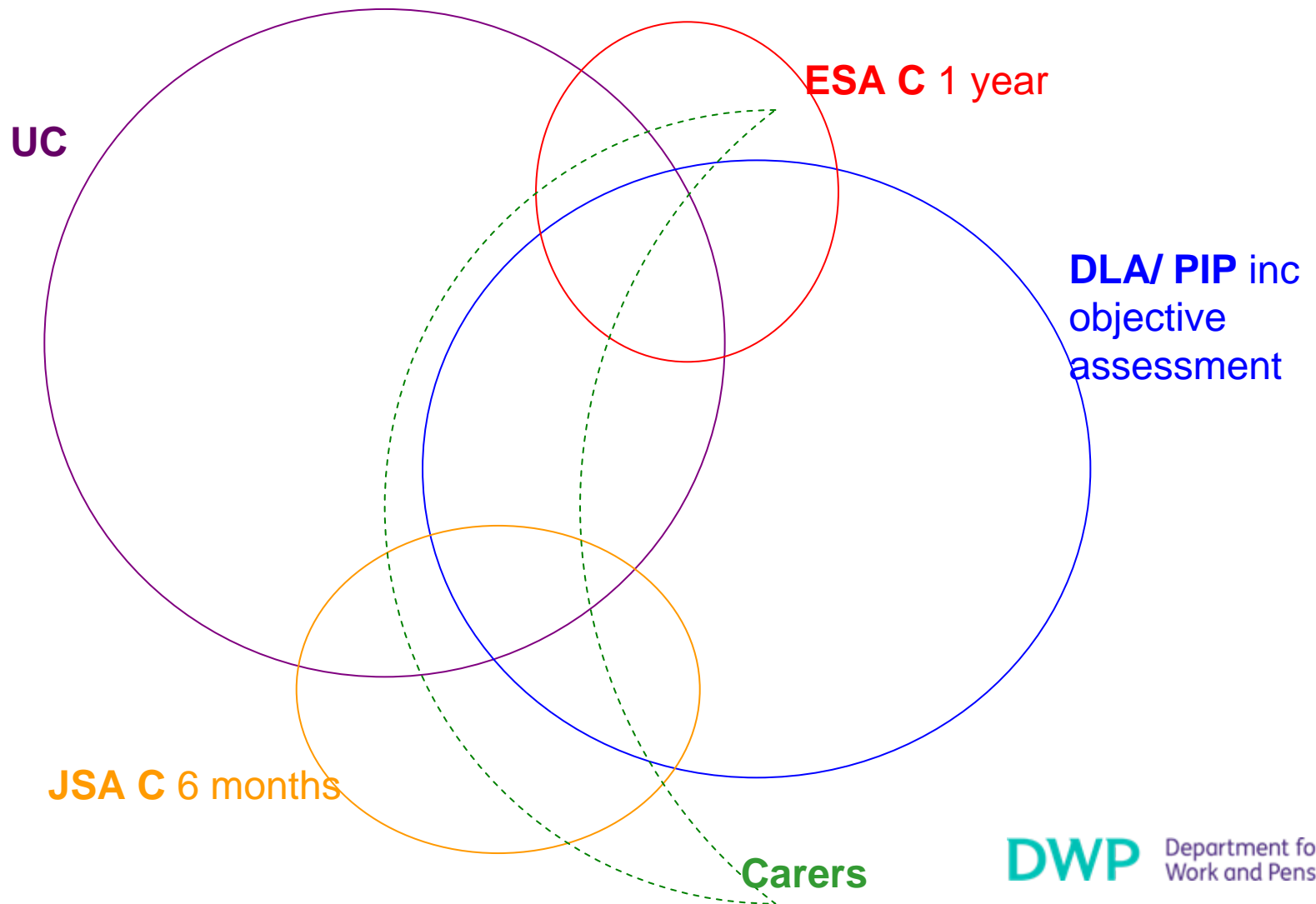
Universal Credit replaces:

- Income related Jobseeker's Allowance
- Income related Employment and Support Allowance
- Income Support (including SMI)
- Child Tax Credits
- Working Tax Credits
- Housing Benefit
- Social Fund (budgeting loan elements)

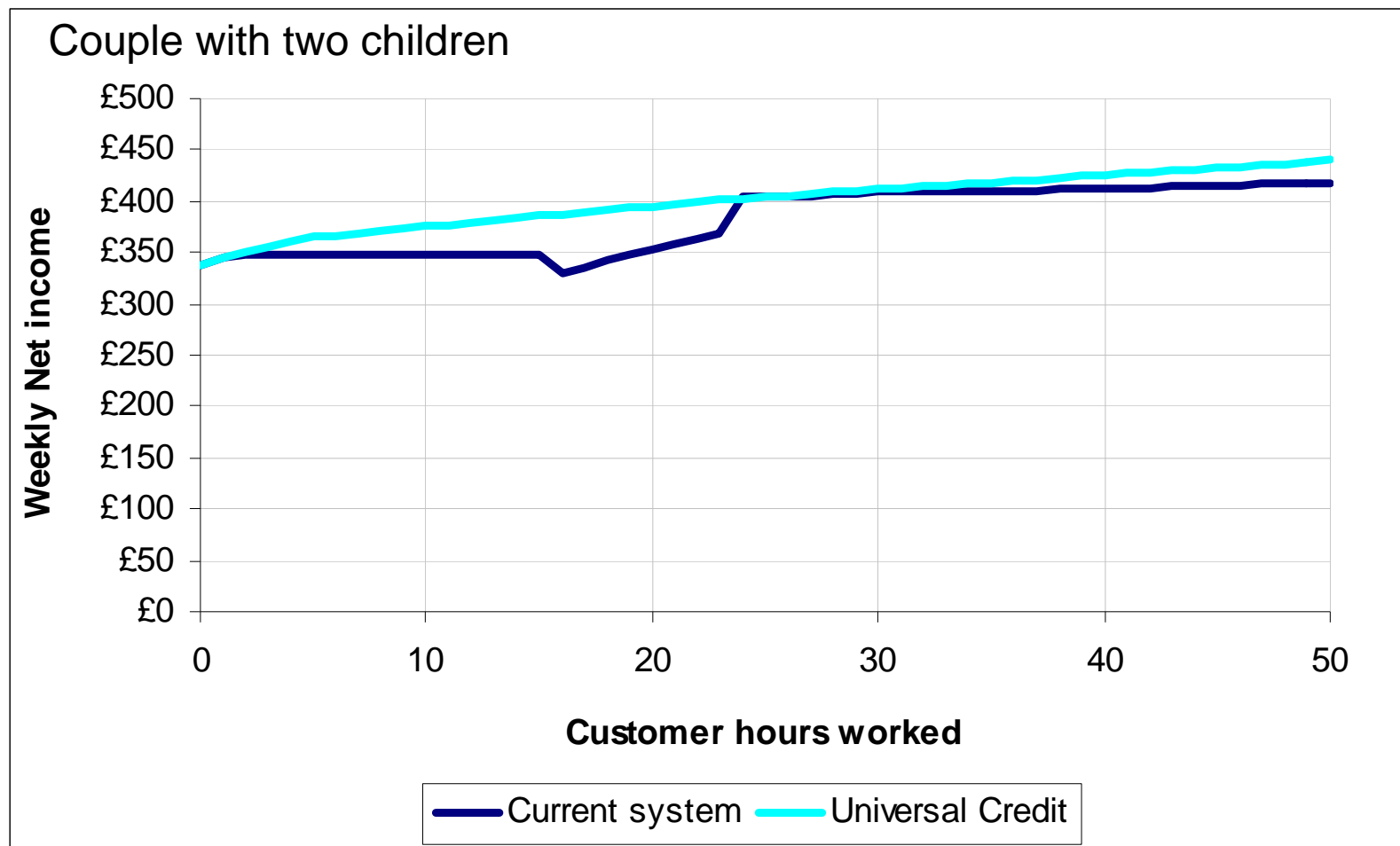
But does not replace:

- Disability Living Allowance
- Contributory Benefits (although earnings rules aligned)
- Child Benefit
- Pension Credit
- Carers' Allowance

The new system



Work incentives, new and old



Better work incentives

- No need to 'sign on' and 'sign-off' benefits
- Reduces workless households facing Participation Tax Rates of over 70% by 1.3 million
- Highest Marginal Deduction Rate, including tax and NI, reduced from 96% to around 76%, improving work incentives of 700,000 people

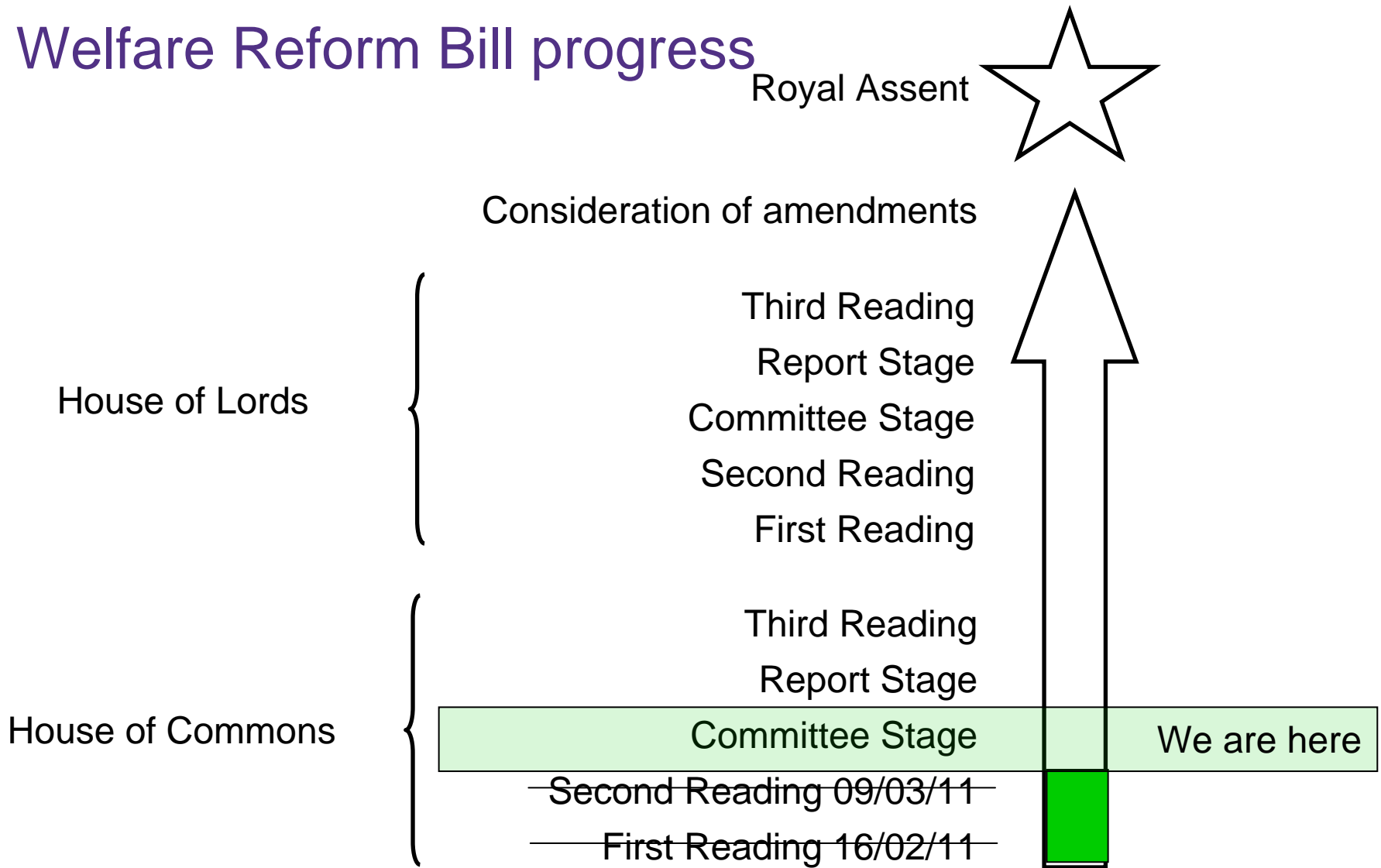
Broader impacts

- Households in the bottom three income distribution deciles will see their net income rise the most – between 1.1% and 1.5%
- Substantial increase in entitlement take-up, in combination with the above, could lift 350,000 children and 500,000 working-age adults out of poverty
- The ‘dynamic’ effects of a more transparent system, with improved work incentives and reinforced conditionality, could reduce the number of workless households by around 300,000
- Losses from fraud, error and overpayments will be reduced by more than £1bn per year in the long term
- Annual flow of savings due to greater administrative simplicity
- Transitional protection will apply to current claims

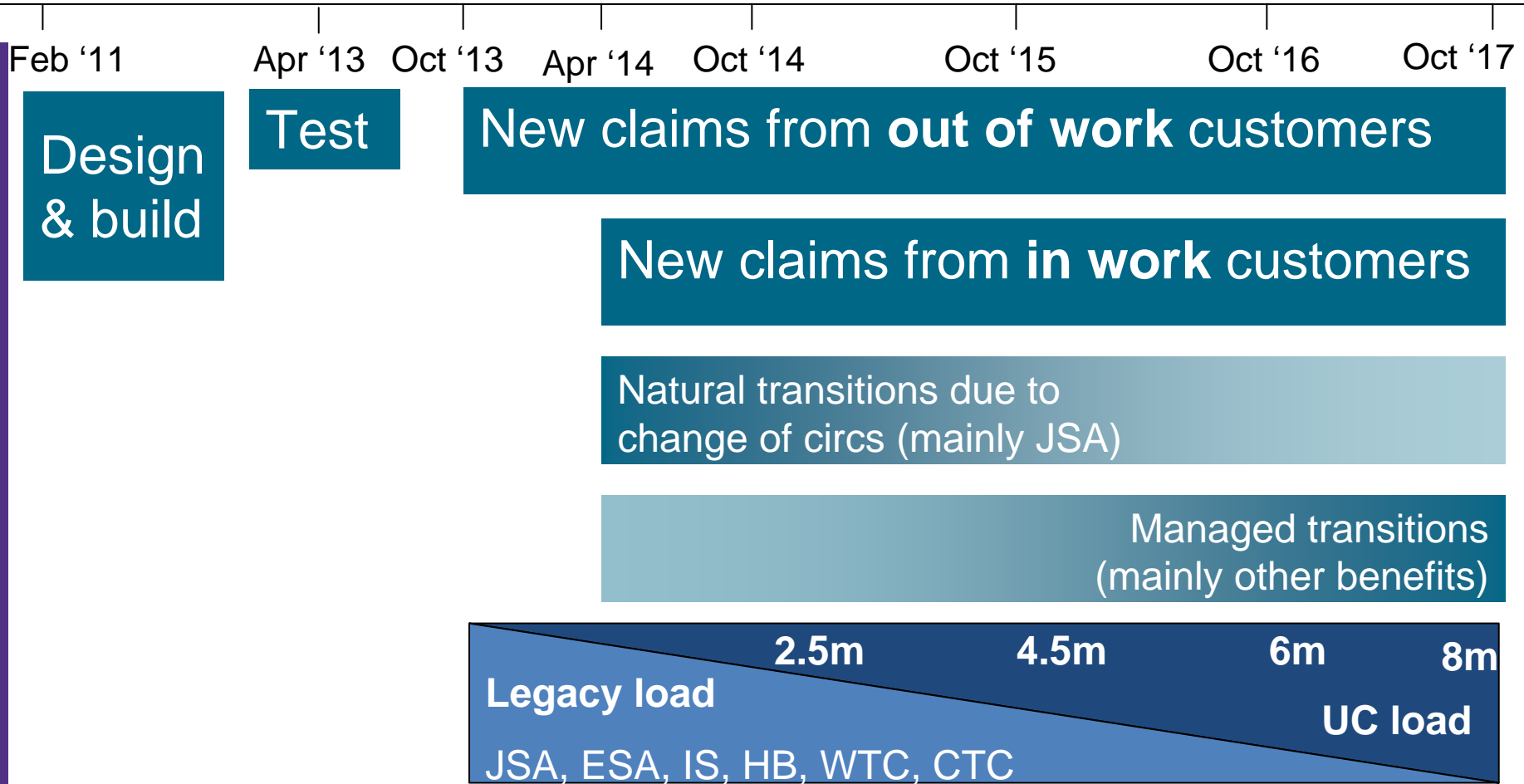
Key features

1. Easy for claimants to understand and use
2. Primarily self-service
3. Primarily automated
4. Will utilise real time earnings data
5. Minimal unnecessary contact
6. Online customer accounts
7. Single responsible department
8. Reduced error and fraud by design
9. Integrated with the Work Programme
10. Future proof

Welfare Reform Bill progress



Implementation timescale



Contact

You can contact the Universal Credit Communication and Stakeholder Team by email:

UNIVERSAL.CREDITCOMMS@DWP.GSI.GOV.UK