IPR Policy Brief

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UNIVERSITY OF BATH

Universal Credit, Working Claimants and the Government's Cost of Living Support

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Based on interviews with a sample of 40 working claimants on Universal Credit[1], this policy brief explores whether the Government's £650 Cost of Living Payment, paid in two lump sum instalments in July and November 2022, together with other government support for the cost of living, are reaching the pockets of low-income working families.

1 The term 'claimant' is used here in the same way as by the Department for Work and Pensions, to refer to the 'benefit unit' which could be an individual or couple, with or without dependent children.

abrdn Financial Fairness Trust

IPR Institute for Policy Research

Research Findings and Policy Recommendations

– Using the benefit system as an administrative gateway for targeting financial help to low-income households has been an efficient and effective means of getting one-off, lump sum payments swiftly into the bank accounts of people likely to be most in need of support.

– In contrast, discretionary payments channeled via council-administered welfare schemes were much less effective in reaching intended beneficiaries. The additional bureaucracy and eligibility criteria acted as a deterrent to would-be applicants, most of whom were either unaware of, ineligible for, or too occupied with work or family to apply for, the help on offer.

– This said, the use of entitlement-based eligibility criteria is not without trade-offs. Monthly assessment in Universal Credit - whereby entitlement can vary month to month depending on earnings - means that significant numbers of working claimants were ineligible for one or both Cost of Living Payments as a result of earnings, even though their overall pay, in some cases, was no higher than those deemed eligible.

– So, while automated payments which passport entitlement based on benefit receipt can be effective in reaching those on the lowest incomes, care is needed to ensure eligibility criteria do not unfairly disadvantage or arbitrarily exclude particular individuals or groups.

– A fairer method of determining eligibility among Universal Credit claimants might have been for the qualifying period to have spanned a longer time frame, thereby including working claimants with a one-off or unanticipated increase in earnings.

– Paying a higher amount to couples and families with children, as reflected in standard benefit entitlements, might also have helped with the additional costs that larger households generally face, and which were not taken into account by the flat rate Cost of Living Payment.

– While research participants were grateful for any extra income top-ups they received, neither the £650 Cost of Living Payment, nor the £150 Council Tax rebate, nor any help from the HSF, made any significant difference to their ability to pay for on-going living expenses.

– Most spent the additional payments in the month of receipt on immediate household needs, such as buying food, paying bills and helping to clear debts and arrears. Few people were able to save or set aside the additional money they received to help mitigate the unprecedented increase in gas and electricity prices.

– Though providing much-welcomed additional financial support to those eligible for or able to access the help on offer, one-off and discretionary payments are ill-suited to addressing persistently low and inadequate income caused by the long-term erosion in the value of working-age and child benefits over time.

Research with Working Households on Universal Credit

This policy brief presents early findings from qualitative research funded by abrdn Financial Fairness Trust (formerly the Standard Life Foundation) exploring how systems and procedures in Universal Credit (UC) for assessing entitlement, recovering debts and calculating payment, are affecting income security and financial well-being in working households on Universal Credit. The project is tracking household income, month-to-month, for eight months, with a sample of 42 Universal Credit claimants, all of whom were either in paid work themselves, and/or had a partner who was in work, when the first interview was conducted in the spring/summer of 2022.

Our focus is on Universal Credit, but the unprecedented rise in domestic energy prices, and the Government's May 2022 Cost of Living support package[2] has become an important part of the overall picture. The Government stated that measures targeted on benefit claimants will see "millions of the most vulnerable households receive £1,200"[3] of additional income. This figure is based upon a household on means-tested benefits or tax credits[4] receiving the £650 Cost of Living Payment; plus the non-means tested £400 energy discount[5] for customers with a domestic electricity connection[6]; and a non-repayable £150 Council Tax rebate for households across the income distribution in council tax bands A-D[7]. Some individuals claiming certain non-means-tested disability benefits[8] were also entitled to receive a £150 Disability Cost of Living Payment.

2 For a full account of the various measures, see Cost of Living Payments: Overview and FAQs, House of Commons Library, September 2022 https://researchbriefings.files.parliament.uk/documents/CBP-9616/CBP-9616.pdf

3 https://www.gov.uk/government/news/millions-of-most-vulnerable-households-will-receive-1200-of-help-with-cost-of-living

4 The qualifying benefits are: Universal Credit, Income-based Jobseeker's Allowance (JSA); Income-based Employment and Support Allowance (ESA); Income Support; Pension Credit; Child Tax Credit; and Working Tax Credit.

5 For a full account of the Government's Energy Bills Support Scheme see https://researchbriefings.files.parliament.uk/documents/CBP-9461/CBP-9461.pdf

6 The £400 energy bills discount is being paid over a 6 month period from October 2022. Energy companies are applying the discounts automatically to bills for customers who pay via direct debit or online top-ups, but households with traditional prepayment meters who top up using a key or card receive monthly discount vouchers. At the time of writing, it was too soon to report on participants' experiences; these will be covered in the main report to be published in 2023. The BBC recently reported that many of the October vouchers had not been redeemed, even though they are valid for only 90 days. It is unclear why. It may be due to delays by utility companies in distributing the vouchers or customers who may be waiting until it gets colder to redeem them. https://www.bbc.co.uk/news/business-63412380

7 In Wales, the £150 rebate was also provided to households receiving support from the Council Tax Reduction Scheme, regardless of their council tax band. In Scotland, the £150 rebate was only paid to households entitled to the Scottish Government's Council Tax Reduction Scheme.

8 The qualifying benefits are: Disability Living Allowance (DLA), Personal Independence Payment (PIP), Attendance Allowance (AA), Scottish Disability Benefits (including Adult Disability Payment, Armed Forces Independence Payment, Constant Attendance Allowance, War Pension Mobility Supplement.

The local authority-delivered HSF, launched in September 2021, and topped up with an additional £421 million of government funding in September 2022, provided further discretionary help for low-income people in England suffering acute financial hardship. The Welsh Discretionary Assistance Fund and Scottish Welfare Fund provide similar discretionary funding in Wales and Scotland. Payments from these central Government and local, council-administered schemes were not mutually exclusive, so certain individuals and households could potentially receive support from a number of different sources, depending on their circumstances.

Research data is still being collected, but we are using the opportunity to explore whether these additional, one-off, payments for recipients of means-tested benefits are reaching the pockets of working households claiming Universal Credit. In this briefing, we focus on the Government's Cost of Living Payment but also include the £150 Council Tax rebate and HSF. We present early findings exploring whether participants in this research had received the July Cost of Living Payment, if they had received any other support within the government's package of help, how easy the help was to access, how they used, spent, or planned to spend any extra money or vouchers, and the difference this made. These matters, together with the wider issues around income security and financial well-being that the study is investigating, will be explored further once the data collection and analysis have been completed and the main research findings are published in late 2023.

£650 Cost of Living Payment

Announced by the then Chancellor of the Exchequer, Rishi Sunak, on 26 May 2022[9], and designed to provide targeted support to around 8 million low-income households, the Government's Cost of Living Payment of £650 was paid in two lump sum installments of £326 and £324, in July and November 2022 respectively, to households in receipt of Universal Credit and other qualifying means-tested benefits[10]. Payments were automatically passported, based on existing benefit entitlement, into the bank account where claimants normally received their Universal Credit. The payments were tax free, had no impact on other benefits and did not count towards the benefit cap[11].

9 https://hansard.parliament.uk/commons/2022-05-26/debates/00D0B309-467C-44F6-BC45-74E1EBA205B4/EconomyUpdate Column 451

10 The other qualifying benefits are: Income-based Jobseekers Allowance, Income-related Employment and Support Allowance, Income Support and State Pension Credit.

11 The benefit cap is a limit on the total amount of benefit a claimant can get, depending on their circumstances.

Cost of Living Payment: Eligibility Criteria

In order to "cast the net wide and to support as many people who receive a means-tested benefit during this period of high inflation as possible,"[12] there were two payment tranches with different eligibility windows. Claimants therefore had an opportunity to receive the second payment in November despite not having been entitled for the first payment in July, as long as they met the eligibility criteria. To minimise opportunities for fraud, the qualifying periods for the two Cost of Living payments were both announced retrospectively, once the dates had passed, ensuring that a claimant's eligibility was already determined.

£326 July 2022 payment

To be eligible for the first Cost of Living Payment of £326, a Universal Credit claimant must have been entitled to, or later found to be entitled to, a payment of at least 1p during an assessment period that ended between 26th April and 25th May 2022, not including payments received or awards made as a result of fraud[13]. Claimants with a nil Universal Credit award during this period due to earning above the entitlement threshold, or as a result of a benefit sanction or fraud, were not entitled to receive first the Cost of Living Payment. Claimants who had their UC award reduced to zero by the minimum income floor[14] were similarly ineligible. There was no right of appeal.

£324 November 2022 payment

On 4th October 2022, the Government announced that all eligible households in receipt of Universal Credit would receive the second Cost of Living Payment of £324 between 8th and 23rd November 2022. To be entitled to the second payment, Universal Credit claimants must have been entitled to, or later found to be entitled to, a payment of at least 1p during an assessment period that ended between 26th August and 25th September 2022. Those with a nil award during this period were not entitled to the second payment of £324 in November.

Deductions for debts and rent payments to landlords

Payment

It was initially unclear as to whether a nil Universal Credit payment due to deductions for debts, or having the housing element paid direct to a landlord, would also make a claimant ineligible. The guidance was ambiguous, stating, **"You will not be eligible for the Cost of Living Payment if your earnings reduced your Universal Credit to £0 for the qualifying assessment period … If money has also been taken off for other reasons (such as payments of rent to your landlord or for money that you owe), you might still be eligible."**[15] A Parliamentary Question tabled on 7th September 2022 asked what happens in the case of deductions. The answer was that **'deductions for debts...are not a reason for someone to be ineligible,'**[16] but no further clarification was provided about direct payments to landlords.

12 Social Security (Additional Payments) Bill: Memorandum from the Department for Work and Pensions to the Delegated Powers and Regulatory Reform Committee (PDF), para 11 https://publications.parliament.uk/pa/bills/cbill/58-03/0013/Delegated%20Powers%20Memo%20%20for%20Parliament.pdf

13 The Social Security (Additional Payments) Bill 2022-23 https://bills.parliament.uk/bills/3187/publications

14 The Minimum Income Floor (MIF) is the minimum amount of earnings Universal Credit claimants are expected to earn based on the lowest amount an employed person with similar circumstances could be expected to earn in a monthly assessment period. The MIF does not apply for the first twelve months 'start-up period' of self-employment.

15 https://www.gov.uk/guidance/cost-of-living-payment#:~:text=Universal%20Credit%20'nil%20awards',called%20a%20'nil%20award

16 UIN 49154, tabled on 7 September 2022 https://questions-statements.parliament.uk/written-questions/detail/2022-09-07/49154

Ineligible claimants

People who found they were ineligible to receive one or both Cost of Living payments were advised to seek help from the HSF, administered by their local council, or equivalent help offered in Scotland and Wales. Government ministers have also suggested that households struggling to afford essentials should work longer hours or find better paid employment in order to generate a higher income[17]. However, higher earnings could in fact make some Universal Credit claimants ineligible for the Cost of Living Payment. For employees earning close to the upper limit of eligibility for Universal Credit, for example, a few hours extra work could take their earnings above the threshold of entitlement, making them ineligible for the payment. A one-off bonus received from an employer, intended to help with the rising cost of living, could similarly have generated a nil award in the qualifying assessment period, meaning they would also lose out on the government's extra financial help. Though not actually earning any more, working claimants who had more than a month's earnings captured in the qualifying assessment period (due to receiving their wages early, or as a result of receiving five weekly pay packets in one calendar month, for example), could also find themselves ineligible for one or both Cost of Living Payments, simply due to the way their wages are paid.

The number of Universal Credit claimants who were ineligible to receive the July Cost of Living Payment due to earnings is far from insignificant. A response to a parliamentary question on 19th October 2022, confirmed that 498,700 households containing 594,400 UC claimants had a nil Universal Credit award in the qualifying assessment period and were therefore not eligible for the July Cost of Living Payment[18]. The vast majority were due to reported earnings which reduced the UC payment to nil during the qualifying period. At the time of writing, the November Cost of Living Payment was still being disbursed, so official statistics were not yet available.

17 Safeguarding Minister, Racheal Maclean, MP, speaking to Sky News on 16 May, 2022, as reported in the Express Online https://www.express.co.uk/news/politics/1610970/cost-of-living-crisis-Tory-minister-more-hours-paid-job-centre-MP-Rachel-Maclean-vn

18 https://questions-statements.parliament.uk/written-questions/detail/2022-10-10/59119

Emerging Findings

Experiences of the £326 July Cost of Living Payment

All but one participant (39/40[19]) in this research was eligible for the first Cost of Living Payment of £326, in July. All those eligible had received the money into their bank account within the specified timeframe, by 31st July 2022. The one person that had not received the payment had worked longer hours in the previous month, resulting in a nil UC award during the qualifying period. At the time, he was unaware that working a few extra hours would make him ineligible – something he found particularly galling since he took home significantly less in additional earnings than the £326 payment he would otherwise have received.

We asked participants what they did with the £326 payment. A large majority said that they had used all or most of the money in the month of receipt for immediate household needs, such as buying food, paying bills and helping to clear debts and arrears. Just under a quarter had put the money aside to help with future energy bills or to top up energy accounts or prepayment meters ahead of the winter months. Some families with children used the money towards treats and days out during the summer holidays that they would not have otherwise been able to afford. The timing of the payment, in July, was particularly useful in this regard. One family used the money to pay for a weekend away in a caravan; the first holiday they had had in three years. Another paid for school uniforms. One lone parent said the payment topped up her household income in compensation for a missed child maintenance payment from her ex-partner. For another participant, the money compensated for the much lower Universal Credit payment they had received that month due to receiving an unexpected bonus from their employer.

At the time of writing (early November 2022), participants had begun to receive the second Cost of Living Payment of £324. Several had received payment into their bank accounts on 8th November; the first day that the payments were scheduled to start. We asked those who had received their payment, and those who had yet to, what they had spent, or intended to spend, the money on. Very few said they would set it aside to pay for future energy bills. Some were using it to pay their current energy bills, or to help pay off arrears, but others were intending to spend the money on food and presents for Christmas. To ensure she remained eligible for the second payment, one participant whose employer had announced they would be distributing a one-off cost of living bonus to its entire workforce, had requested if hers could be split into a series of smaller monthly payments, rather than paid as a lump sum. In response, the employer had agreed that any member of staff could request that their bonus be paid in this way.

19 Due to illness and a family crisis, we were only able to contact 40/42 participants.

Experiences of the £150 Council Tax Rebate

Regardless of income, householders in Council Tax band A, B, C or D in England and Wales were entitled to a payment of £150 if they paid Council Tax on their main home on 1 April 2022[20]. In Wales, the £150 rebate was also provided to households receiving support from the Council Tax Reduction Scheme, regardless of their council tax band. In Scotland, the £150 rebate was only paid to households entitled to the Scottish Government's Council Tax Reduction Scheme. Councils started making the payments in April 2022 and 90 per cent of eligible households were reported to have received the rebate by the end of August 2022[21].

The guidance states that households who do not have to pay Council Tax – for example, students and people with a severe mental impairment - can still get the £150. Those in receipt of a Council Tax Reduction (sometimes called Local Council Tax Support), due to low-income or a disability, for example, or a Council Tax Discount due to living alone, were also still entitled to the rebate. For householder who pay their council tax bill by Direct Debit, the £150 was paid directly into the bank account that the direct debit is paid from. Those who do not pay by Direct Debit needed to make a claim. Each local council devised its own arrangements for paying the £150 or crediting Council Tax accounts.

In our research, thirty-five (35/42) participants said that they had received the £150 Council Tax rebate. A few were paid in April and May, but most received the money in June or July, some in August, generally into the bank account from which their direct debit was paid. The money was mainly spent on general household expenses in the same month that the payment was received. A few used the payment to credit their council tax account and reduce future bills. Another person used the money towards paying off the £2,500 council tax arrears they owed. A number of participants reported that they did not receive the full £150, although the reasons were unclear. Some assumed it was because they were receiving a council tax discount or reduction, although the guidelines indicate they should still have been eligible for the full amount.

Five participants did not receive the £150 rebate and two were unsure. One participant was in serious financial difficulties and not currently paying council tax following an intervention by their MP. Another participant said that council tax was included in their rent, so they assumed their landlord had received the payment. The remaining two did not pay their council tax by direct debit but had not yet found the time to apply for the rebate. Since claims to the scheme needed to be made the end of September 2022, it seems unlikely that either would have qualified for the payment.

20 https://www.gov.uk/council-tax/get-the-council-tax-rebate

21 https://www.gov.uk/government/news/more-than-16-million-households-receive-cost-of-living-council-tax-rebate

A majority of participants paid their council tax by direct debit and they were less likely to report problems and delays in receiving the payment than those who paid their bill in other ways. Participants who did not pay by direct debt generally waited longer to receive the payment and a few experienced problems in accessing the money. This was mainly due to difficulties in providing valid forms of ID, particularly if they did not own a passport or driving licence.

Experiences of the Household Support Fund

The Household Support Fund (HSF) was introduced in September 2021 as part of the Government's Covid-19 support package, its launch coinciding with the withdrawal of the temporary £20 weekly uplift in Universal Credit. The scheme provided additional funding to local councils in England until the end of March 2022 for the distribution of ad hoc discretionary cash or in-kind payments – such as food and energy vouchers- to low-income households facing emergencies and acute financial hardship. While Councils were at liberty to devise their own local schemes, half the funding was to be ringfenced for families with children. An additional £421 million was made available for the period 1st April to 30th September 2022, in recognition of the significant rise in living costs[22]. The devolved governments received a further £79 million for their own schemes[23], bringing the total additional funding across the UK to £500 million. The Government mandated councils to disburse at least one-third of the second tranche to pensioners.

In this research, there were generally low levels of awareness about the additional help available from the HSF and only twelve participants (12/42) had been successful in securing financial help from this source. In most cases, they had received vouchers to top up their gas or electricity prepayment meters. Some also received food vouchers. Not all participants who had applied for help were successful, although the reasons why they were turned down was not always well-communicated by councils, or fully understood. Households in which someone had paid work appeared less likely to be eligible for support. However, some working families with children did receive help from this source, possibly reflecting the ring-fencing of the earlier funding tranche.

22 Cost of Living Payments: Overview and FAQs, House of Commons Library, Research Briefing 9616, p 8

23 Approximately £41 million for Scotland, £25 million for Wales, and £14 million for Northern Ireland.

Some participants had been put off from applying due to lack of time and an assumption that working households would not be eligible. Others said the eligibility criteria were unclear with assessment processes lacking in transparency. Both successful and unsuccessful participants testified to the bureaucratic nature of the claims process. Typically accessed online, application forms were said to be over-long and time-consuming to complete. Cumbersome rules adopted by some councils, for example the need for a formal referral by an authorised agency, or the requirement for a National Insurance number or valid ID, in combination with onerous requirements for evidence of need and income, also acted as a barrier and deterrent to take up by potential applicants.

That few people were able to access the HSF is confirmed in national media reports suggesting that both the initial tranche of funding in 2021, and the subsequent top up in 2022, were heavily oversubscribed[24]. With very high levels of demand, available funds were stretched thin, and some councils rejected more than a quarter of applications. Others were forced to close their schemes early due to running out of funding before the official end date. Recent research by the Resolution Foundation indicates that four out of five English councils had in fact abandoned the discretionary aspect of the scheme in favour of the automatic passporting of vouchers to recipients of certain benefits, such as Pension Credit and Personal Independence Payment.[25] Technical difficulties at PayPoints in convenience stores and supermarket check outs meant that some people issued with vouchers were unable to spend them[26].

24 The Guardian Newspaper, 15th May 2022 https://www.theguardian.com/business/2022/may/15/governments-500m-support-scheme-failing-britains-poorest-households

25 https://www.resolutionfoundation.org/app/uploads/2022/10/Sticking-plasters.pdf

26 https://www.theguardian.com/business/2022/jul/15/vulnerable-people-struggle-to-access-uk-household-support-fund

Key Messages

Effectiveness of Automated Payments

A key message emerging from findings to date, is that, for eligible claimants, targeting financial support using the benefit system as an administrative gateway has proven to be an efficient and effective means of getting one-off cash payments swiftly into the bank accounts of low-income people likely to be most in need of financial support. The main reason for this has been the automatic passporting of entitlement without claimants needing to apply and engage in additional form filling, while eliminating the need for further assessment and means-testing by the administering authorities. Automatic passporting, together with retrospective eligibility criteria, also significantly reduce the likelihood of fraud and error. In contrast, discretionary payments, in which help is channelled via locally-devised, council-administered welfare schemes, were much less efficient and effective in reaching intended beneficiaries. The additional bureaucracy and eligibility criteria acted as a deterrent to potential applicants, many of whom were working and were either unaware of, ineligible for, or too occupied with work or family to apply for, the help on offer. Findings thus suggest that when the Energy Bills Discount scheme ends in April 2023, automatically passporting any future financial help using entitlement for mean-tested benefits could be an effective means of targeting and maximising take-up among low-income households.

Were the eligibility criteria appropriate and fair?

While using existing benefit receipt for determining eligibility for the Cost of Living payments allowed for timely and targeted help, the use of entitlement-based criteria is not without trade-offs. The system of monthly assessment in Universal Credit, in which entitlement can vary month to month, means that significant numbers of working claimants were deemed ineligible for one or both awards "simply because of the quirks of the DWP computer system"[27]. Our relatively small sample included only one claimant whose earnings had reduced their UC payment to nil during the first qualifying period. However, DWP figures indicate that around half a million Universal Credit claimants were ineligible for the £326 July Cost of Living Payment due to a nil UC award as a result of earnings received in the qualifying assessment period[28]. Denied financial help because they 'did the right thing' by working a few more hours, or due to earnings which appeared to be higher than they actually were, seems particularly arbitrary and unjust. A fairer method of determining eligibility among Universal Credit claimants might have been for the qualifying period to have spanned a longer time frame, enabling those with a one-off or unexpected increase in monthly earnings to nevertheless remain entitled to the payment.

27 Shadow Work and Pensions Secretary, Jonathan Ashworth MP, quoted in The Mirror Newspaper, 9th October 2022. https://www.mirror.co.uk/news/politics/half-million-dwp-universal-credit-28192100?_ga=2.84198553.1242522753.1665385372-1599925957.1654494632

28 Reported by Chaminda Jayanetti and Dan Bloom in the Mirror Online, 9th October, 2022 https://www.mirror.co.uk/news/politics/half-million-dwp-universal-credit-28192100?_ga=2.84198553.1242522753.1665385372-1599925957.1654494632

Was £650 enough?

Although the two Cost of Living payments came as a welcome boost to the incomes of cash-strapped households, with the unprecedented increase in energy prices and inflation at a 40 year high, the additional money made little overall difference to participants' longer term financial security. The payments must also be set against the withdrawal of the £20 per week uplift in Universal Credit. Paid to all Universal Credit claimants, regardless of whether or not they had earnings, the uplift added a further £87 per month (£1040 per annum) to a claimant's entitlement for up to 18 months between March 2020 and September 2021. As such, it was worth a lot more to many claimants than £650.

Another important caveat concerns the flat rate of payment. The two lump sums of £326 and £324 were made per eligible claimant, irrespective of how many adults or children the household contained. This meant that the payments were proportionately worth a great deal more to single claimants than to couples and families with children whose living expenses are generally higher. An administratively simple alternative would have been to pay a higher amount to couples and to families with dependent children.

The Bigger Picture

While participants in this research were grateful for any extra income top-ups they received, the additional payments need to be viewed in the context of more than a decade of social security cuts and below inflation annual benefit uprating. Neither the Government's £650 Cost of Living Payment, nor the £150 Council Tax rebate made any significant difference to their ability to pay for on-going living expenses such as rent, food, energy and water bills. Few participants were able to save or set aside the additional money they received to help mitigate the unprecedented increase in gas and electricity prices. Rather, those who got the payments mainly used the extra cash to cover the rising cost of everyday living expenses.

Emergency and crisis grants from the HSF (and Welsh and Scottish Welfare Funds) were helpful for the minority of participants able to successfully navigate locally-determined eligibility criteria and application processes. However, few people in this research knew about, or believed they were eligible for, the help on offer. Other studies confirm that access to discretionary welfare funding is highly variable and something of a 'postcode lottery'.

Though providing much-welcomed additional financial support, these one-off payments are therefore ill-suited to addressing persistently low and inadequate income caused by low and stagnant wages in combination with the long-term erosion in the value of working-age and child benefits over time. The increasingly complex array of ad hoc payments and discretionary support to enable low-income people afford essential living costs also runs counter to the goal of a simplified welfare system.

At the time of writing, the Government has not confirmed whether social security benefits will rise in line with inflation in April 2023, as is customary. Indeed, it has been intimated that the annual increase in benefits should reflect the annual rate of pay growth - around 5 per cent - instead of the rate of inflation, which currently stands at 10 per cent[29]. If benefits only rise in line with earnings rather than inflation, then for many claimants, the value of the £650 Cost of Living Payment, together with any other ad hoc sources of financial help offered within the Government's package of support, will effectively have been cancelled out.

29 https://www.thesun.co.uk/money/19984663/universal-credit-payments-massively-reduced/

About the project: Navigating Monthly Assessment in Universal Credit, funded by abrdn Financial Fairness Trust

Research Methods

This 18-month qualitative research study is exploring how systems and procedures in Universal Credit (UC) for assessing entitlement, recovering debts and calculating payment, are affecting income security and financial well-being in working households on Universal Credit[30]. It started in March 2022 and is due to finish in the Autumn of 2023. The project is tracking household income, month-to-month, with a sample of 42 participants living in a working household with a live claim for Universal Credit. By collecting data monthly and interviewing participants regularly over an elapsed period of eight months, the aim is to explore their experiences of household budgeting in real time, while claiming a means-tested benefit designed to fluctuate automatically in response to monthly changes in income, earnings and household circumstances.

The Sample

Our sample of 42 participants - 36 women and 6 men - includes a broad cross section of claimants living in England, Scotland and Wales. Eight live in Bath and the surrounding areas; six live in Bristol and the South-West; six live in Greater Merseyside; four live in Cumbria; two live in the North-East; nine live in Wales; and seven live in Scotland. Eighteen participants are in social rented housing, 18 are in private rented accommodation and six have a mortgage. The youngest participant is 21 and the oldest 58. Eleven participants are aged 25-34; 19 are aged 35-44; eleven are aged 45-60; and one is aged 18-24. Thirty-three participants have dependent children, of whom sixteen have at least one pre-school age child. Nineteen participants were claiming Universal Credit as a couple[31] (16 of whom had dependent children), seventeen were claiming as a lone parent; and six were claiming as a single person. In twenty-five households, there was an adult and/or child with a disability or serious health condition. When the first interview was conducted in the spring/summer of 2022, all 42 participants were either in paid work themselves and/or had a partner who was working. Among couple households, 12 had a single earner and seven had two earners. Nine participants said that either they were self-employed, and/or their partner was.

30 https://www.financialfairness.org.uk/en/funding/funded-projects/university-of-bath

31 Only one participant was interviewed per couple. In all but one case, this was the female partner.

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