

Roadblock to Recovery

Why the rules in Universal Credit are creating barriers to work



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About Citizens Advice

Citizens Advice provides free, confidential and independent advice to help people find a way forward. In the 12 months since the first national lockdown was declared, we helped more people than ever before. Since March last year, we've helped more than 450,000 people with one-to-one advice on Universal Credit and over 250,000 people with employment issues.

Introduction

The coronavirus pandemic has turned lives upside down and threatened livelihoods. The number of employees has fallen by 740,000 since the start of the crisis,¹ and the number of people claiming out-of-work benefits has skyrocketed to 2.6 million - the highest level in over 25 years.²

Universal Credit has passed its first major test. It handled an unprecedented surge in benefit claims, providing vital financial support for millions of families. But the benefit must now pass a much harder test.

A record 2.4 million people on Universal Credit are now searching for work,³ with more expected to join the growing queue of job-seekers as furlough winds down at the end of September.

The Government has already taken important steps to reduce a long-term unemployment crisis. 13,500 new work coaches have been recruited,⁴ while schemes like Kickstart are supporting young people into work. But these efforts risk being undermined by rules within Universal Credit that prevent some people from finding and sustaining employment.

3 aspects of Universal Credit need fixing to ensure an equitable recovery from this crisis:

- 1) Paying childcare costs upfront**
- 2) Widening access to the work allowance for disabled people**
- 3) Ensuring a more flexible approach to conditionality**

These changes alone won't be sufficient to deliver an equitable recovery - but they will be critical to the Government's efforts to help people into work and avoid a long-term unemployment crisis.

¹ ONS (2021) [Earnings and employment from Pay As You Earn Real Time Information, UK: May 2021](#)

² Nomis (2021) Claimant count time series

³ DWP (April 2021) People on Universal Credit, Stat-Xplore

⁴ DWP (2020) [Government delivers 13,500 Work Coaches to boost Britain's Jobs Army](#)

The scale of the challenge

360,000 people who lost their jobs at the start of this crisis have not found work 12 months later.⁵ Addressing long term unemployment - which is now rising at the fastest rate since 2010⁶ - must be a key policy aim to prevent further damage to the prospects of a generation and economic scarring.

Longer periods out of work reduce someone's chances of moving back into work. After the 2008 financial crash, those unemployed for 12 months or longer were more than 2 times less likely to move into employment compared to those unemployed for less than three months.⁷

This risks widening inequalities in the labour market for those hardest hit during this crisis. Young people for instance were around 5 times more likely to lose their job at the start of the pandemic, compared to the rest of the working age population.⁸ Other groups like disabled people and single parents face similar employment challenges.

While some sectors have started to rebound strongly, the future shape of the labour market remains uncertain.⁹ With 4 job-seekers for every vacancy,¹⁰ competition for jobs will likely remain high for a significant period of time - especially as the furlough scheme ends in September and more people risk finding themselves unemployed.

Universal Credit has the potential to support people to enter the labour market - but the rigidity of the benefit makes this harder for some claimants. For those unemployed on the benefit, almost 2 in 3 are not confident about finding work in the next 6 months.¹¹

Below we outline the changes needed to support groups hardest hit by the crisis.

⁵ Citizens Advice analysis of Understanding Society. We estimated the proportion of people who lost their job during the first lockdown who are still out of work 12 months later. We then applied this proportion to ONS estimates of the working-age population in 2019.

⁶ ONS (2021) [Unemployment by age and duration](#)

⁷ Elsby, M. et al. (2016) [How long has this been going on? Long-term unemployment in the UK](#)

⁸ Citizens Advice analysis of Understanding Society data. We estimated the relative risk for different age groups of losing their job during the first lockdown using a logit model. Across ethnicity, the unemployment rate for young black people has disproportionately increased, and is now over twice as high than the rate for young white people.

⁹ Resolution Foundation (2021) [The UK's decisive decade](#)

¹⁰ In April 2021, [Office for National Statistics data](#) shows that 2,629,000 people were claiming out-of-work benefits. In February - April 2021, the [Office for National Statistics estimated](#) there were 657,000 job vacancies in Great Britain.

¹¹ Between 25 March-9 April, ICM Unlimited surveyed a representative sample of 1,806 adults living in a household claiming Universal Credit on behalf of Citizens Advice. The sample has been weighted to the profile of adults claiming Universal Credit in Great Britain and is weighted by age, gender and region. Respondents who said they were looking for a new job in the next six months were asked how confident they felt about work, including 195 unemployed people. 62% said they were 'not confident' or 'not at all confident' of finding work in the next six months.

Supporting the hardest hit

Paying childcare costs upfront

Single parents were more likely to be furloughed during this crisis,¹² with employment amongst this group concentrated in sectors facing greatest difficulty during the pandemic.¹³ The end of the Coronavirus Job Retention Scheme in September therefore risks disproportionate job losses amongst single parents,¹⁴ and could widen the employment gap between single parents and the rest of the working age population even further.¹⁵

Single parents who lose their job are also more likely to fall into long-term unemployment - **1 in 3 unemployed single parents have been looking for work for over a year.**¹⁶

Supporting unemployed single parents back into work quickly - as well as those who might lose their job from September - will be essential to stem any rise in long-term unemployment among this group.



Upfront costs can make it difficult for single parents to access childcare

The availability and cost of childcare is a significant deciding factor for parents when assessing the costs and benefits of entering work or working more hours - **a fifth of parents receiving Universal Credit say that their caring responsibilities limit their capacity to work.**¹⁷

The rules within Universal Credit can make it harder for parents to work, even when they're able to find suitable childcare. While there has been a welcome increase in the level of support for childcare costs (from 70% to 85%), parents are required to pay for

¹² Gingerbread (2021) [Caring without sharing](#). Data suggests furlough rates for single parents have remained consistently higher than for couple parents and families without dependent children.

¹³ Resolution Foundation (2020) [Risky business: economic impacts of the coronavirus crisis on different groups of workers](#)

¹⁴ Office for Budgetary Responsibility (2021) [Economic and fiscal outlook - March 2021](#). It is predicted that the end of furlough in September will bring a second surge of job losses, with unemployment peaking at the end of the year.

¹⁵ In March 2021, the gap in employment rate between single parents and the rest of the working-age population was 6.6 percentage points. Citizens Advice analysis of the Labour Force Survey (LFS).

¹⁶ To account for small sample sizes, we took the average long-term unemployment rate for single parents over the last four quarters of available LFS data, covering April 2020 - March 2021.

¹⁷ ICM Unlimited survey for Citizens Advice. Respondents who were not confident about getting a new job, or increasing their hours or earnings were asked what they considered to be their main barriers to work, this included 173 parents.

childcare upfront. Proof of payment is then required before these costs can be reclaimed.¹⁸

Upfront costs can be prohibitively high for many parents on a low income.¹⁹ Our evidence suggests that many of our clients have had difficulty meeting the upfront costs of childcare. In some cases this resulted in people falling behind on bills and building up high levels of debt. In extreme cases, people have lost their child's place in a childcare setting and, subsequently, their job.²⁰

Becky's story

Becky is a 22 year old single mum who lives with their 16-month old-son.

They are currently working from home but are finding it incredibly difficult working while having their baby there too. As they claim Universal Credit, Becky can claim some reimbursement for childcare costs. However, the nursery requires one month's fees to be paid upfront.

Becky cannot afford these costs. If they don't manage to get their son into nursery they're worried they'll be at risk of losing their job. They are considering applying for a loan to cover the costs. As Becky is already experiencing financial difficulties, they are very reluctant to do this but feel they have no other option.

The pandemic has led to increases in the costs of childcare and has put the longer term sustainability of some providers in doubt.²¹ This has made it even harder for parents to manage upfront costs, and is likely to create additional pressures for those looking for work or trying to maintain a job. Universal Credit promises to support people in employment to work an additional 113 million hours²² - DWP expects lone mothers to account for 69% (78 million) of these additional hours.²³ If single parents on Universal Credit are to enter employment or work more hours, it's vital that childcare costs aren't a barrier.

¹⁸ Following a recent legal challenge, the 'Proof of Payment' Rule has been found to be discriminatory against women - the Department for Work and Pensions has been granted permission to appeal this ruling. The 'Proof of Payment' rule is the term used to describe the mechanism for assessing and paying the childcare costs element of Universal Credit.

¹⁹ Save the Children, [Making childcare work](#)

²⁰ Citizens Advice (2018) [Response to the Work and Pension Select Committee inquiry into childcare costs under Universal Credit](#)

²¹ Coram Family and Childcare (2021) [Childcare Survey 2021](#)

²² DWP (2018) [Universal Credit Programme Full Business Case Summary](#)

²³ National Audit Office (2018) [Rolling out Universal Credit](#)

The changes we need to see to Universal Credit



The DWP should pay childcare costs within Universal Credit in advance - either to parents or directly to childcare providers.

Widening access to the work allowance

The unemployment rate for disabled people has increased from 7.0% to 8.0% since the start of the pandemic. The disability employment gap – the difference in employment rate between disabled and non-disabled people – has remained stubbornly wide at 28.9 percentage points.²⁴

Disabled people have been among the first to fall out of the labour market during this crisis, and evidence shows they are often the last to re-enter work.²⁵ We have already seen a disproportionate rise in long-term unemployment amongst disabled people during this crisis - **Over 1 in 3 unemployed disabled people are now long-term unemployed, compared to 1 in 7 non-disabled people.**²⁶



The work allowance provides disabled people with much needed support

The work allowance in Universal Credit allows disabled claimants to work a limited number of hours without seeing a fall in the amount of their benefits.

Additional in-work support via a work allowance is recognition that disabled people are likely to work fewer hours overall, be more limited in their labour market choices, and face additional costs.²⁷ **Over 1 in 2 (52%) disabled people receiving Universal Credit say their capacity to work is limited by disability or ill health.**²⁸ The work allowance encourages people to carry out a small amount of work, with the reassurance that they won't see a drop-off in their Universal Credit award.

²⁴ Citizens Advice analysis of the LFS. We compared the labour market position of disabled and non-disabled people in March 2020 (on the eve of the crisis) to March 2021.

²⁵ Between 2007 and 2020, 8% of disabled people who were out of work, but previously had a job, returned to employment in the next three months. Compared to 27% of non-disabled people. ONS (2021) [Which groups find it hardest to find a job following a period out of work](#)

²⁶ From March 2020 to March 2021, the long-term unemployment rate for disabled people increased from 28.9% to 36.7%. Citizens Advice analysis of the LFS.

²⁷ Citizens Advice (2018) [Universal Credit for single disabled people](#)

²⁸ ICM Unlimited survey for Citizens Advice. Respondents who were not confident about getting a new job or increasing their hours or earnings were asked what they considered to be their main barrier(s) to work - this included 115 disabled people.

However, disabled people assessed as ‘fit for work’ are not entitled to a work allowance, despite the barriers to work and additional costs they can still face. Changing the rules to access the work allowance would provide more disabled people with a reliable safety net as they enter work, supporting the Government’s ambition to get 1 million more disabled people into work by 2027.²⁹

This could be done by giving people in receipt of Personal Independence Payment (PIP) access to the work allowance. PIP is a benefit that provides financial support to disabled people to help with extra living costs.³⁰

Widening access to the work allowance would also prevent Universal Credit from disincentivizing employment for those moving from the legacy benefits system to Universal Credit. In the legacy benefits system, receipt of PIP provided automatic entitlement to the disabled worker element in Tax Credits for people working 16 or more hours a week. But a single disabled person assessed as ‘fit for work’ wouldn’t have corresponding support under Universal Credit as they take up work.³¹

The changes we need to see to Universal Credit



The DWP should widen access to the work allowance for disabled people in receipt of Personal Independence Payment

Ensuring a more flexible approach to benefit conditionality

2.4 million people on Universal Credit are currently required to prepare and look for work as a condition of receiving their benefit.³² A further 250,000 people are required to prepare for work.³³ These requirements are set out in what’s known as a claimant commitment, which claimants and work coaches are expected to agree collectively.

Conditionality rules have been relaxed during the pandemic. But as they’ve started to be re-introduced, we’ve seen an increasing number of cases where people have been set an inappropriate claimant commitment.³⁴ For example, we helped a single mum with three children under 13 where her childcare commitments weren’t taken into

²⁹ DWP and DoH (2017) [Improving lives: The future of work, health and disability](#)

³⁰ At the end of 2020, 480,000 disabled people receiving Universal Credit were also in receipt of PIP. DWP (November 2020) Benefit combinations, Stat-Xplore

³¹ Citizens Advice (2018) [Universal Credit for single disabled people](#)

³² DWP (April 2021) People on Universal Credit, Stat-Xplore

³³ Ibid

³⁴ Between October 2020 and the end of March 2021 we helped 285 clients with issues relating to an inappropriate claimant commitment and 162 clients who had been placed in an incorrect conditionality group.

consideration when drawing up her claimant commitment. In another instance, we supported a man with long-term health conditions who felt pressured to look for work, despite fit notes³⁵ from his GP stating that he is unable to work.

A rigid approach to conditionality can lead to negative employment outcomes

Groups such as single parents and disabled people will face particular barriers to entering work or increasing their hours. Any work-related requirements should be tailored to reflect people's individual circumstances - but prior to the pandemic our evidence suggests this was often not the case. Many of our clients in vulnerable situations were being set inappropriate work-related requirements which did not take account of their personal situation. The vast majority of these cases involve disabled people, but we found that this was also a problem for other groups like parents of young children.³⁶

John's story

John has been claiming Universal Credit since December 2020. They have a number of health conditions including diabetes and mental health issues which affect their ability to work. They have also experienced suicidal thoughts.

While waiting for a Work Capability Assessment, John has been sending fit notes to the Department for Work and Pensions every month. When they first applied for Universal Credit, they told their work coach they could manage spending 5-6 hours on work-related activities. But John's work coach encouraged them to commit to 21 hours a week.

They were worried their claim would be unsuccessful if they did not agree to this. John was asked for proof that they had been fulfilling these requirements - but they had been unable to do so due to their anxiety.

A failure to carry out these tasks can result in somebody's payment being reduced or cut altogether, which is known as a sanction. Before the pandemic, some groups were more likely to be sanctioned. Under-25s for instance accounted for 41% of all sanctions applied in March 2020, yet made up just 16% of people on Universal Credit.³⁷

³⁵ A 'fit note' (or doctor's note) is confirmation that a person's current state of health is affecting their ability to work or look for work

³⁶ Citizens Advice (2019) [Response to the Social Security Advisory Committee call for evidence on the claimant commitment in Universal Credit](#)

³⁷ DWP (March 2020) Universal Credit sanction rates, Stat-Xplore

A National Audit Office review of sanctions in Great Britain found that while sanctions can sometimes move people into work quicker in the short-term, they can also lead to negative employment outcomes in the longer-term.³⁸ People can be forced to move into unsustainable work that they wouldn't otherwise have chosen – leading to short-lived spells of lower-paid work. For others, sanctions can cause financial hardship and worsen mental health, leading some to disengage from the benefits system entirely - even without finding work.

Setting appropriate and realistic work-related requirements is vital in enabling people to take steps to look for work, sustain a job, and increase their hours once in employment. This would benefit all claimants, but especially some of the groups hardest hit by the pandemic who face unique employment challenges.

The changes we need to see to Universal Credit

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The DWP should regularly review how claimant commitments are set by work coaches to ensure work-related requirements are tailored to people's circumstances

³⁸ National Audit Office (2016) [Benefit sanctions: Report by the Comptroller and Auditor General](#)

Conclusion

Universal Credit has provided vital financial support to millions of people since the start of the pandemic, boosting the incomes of those who lost their job or saw a drop in their hours.

The coming year will pose the benefit's greatest challenge yet. With 2.4 million people on Universal Credit searching for work and long-term unemployment rising, it's crucial the benefit successfully supports people to move into sustainable employment.

But without reform, disabled people, single parents and younger people are at risk of being dealt a double-blow. Hardest hit by the pandemic, they are also more likely to find that the rigid rules of Universal Credit don't fit with their lives. This mismatch risks pushing those most in need of support further away from work or cycling in and out of insecure work.

We welcome interventions by the Government to date to tackle the job crisis we're facing - but this alone won't be enough. While not a panacea, fixing the rules in Universal Credit will be a vital part of delivering an equitable recovery.

To ensure the rules in Universal Credit fit the reality of people's lives and support them into decent work, the Department for Work and Pensions should:

- 1. Pay childcare costs within Universal Credit in advance - either to parents or directly to childcare providers.**
- 2. Widen access to the work allowance for disabled people in receipt of Personal Independence Payment**
- 3. Regularly review how claimant commitments are set by work coaches to ensure work-related requirements are tailored to people's circumstances.**