Universal credit: the gender impact

The government's plans to introduce a new universal credit are intended to improve work incentives and simplify a complex benefits system, but may work against its duty to promote gender equality. Here, Fran Bennett**, drawing on work for the Women's Budget Group, looks at the impact the new benefit may have on gender issues, in particular on financial autonomy for women. She argues that the proposals take insufficient account of the nature of modern families and the lives of those on low incomes and so may undermine some of the government's other policy goals (including encouraging committed couple relationships and tackling child poverty), and may also result in greater economic dependence and threaten the return of a 'single breadwinner' family.**

Introduction

Achieving a simpler benefits (sometimes tax/benefits) system has always been the 'holy grail' of social security reform in the UK.[1] But after the introduction of tax credits in 2003, the number of critiques of the existing system as complex and confusing for claimants seemed to grow,[2] and think-tanks and political parties began to develop ideas for a 'single working-age benefit'.[3] The various proposals from the Left and Right of the political spectrum were often strikingly similar. The core suggestion in most was to merge means-tested benefits/tax credits for adults in and out of employment, and often payments related to additional costs too (such as those for children and housing).

The scheme proposed by the Centre for Social Justice[4] proved most influential with the coalition government, which put forward its own proposals to introduce a 'universal credit' from 2013 (a misnomer, as this would be a means-tested, rather than a universal, benefit). Central aims were to create a simpler system and to improve work incentives. The rationale for the changes, and the outline proposals themselves, were set out in a consultation document,[5] followed by a White Paper[6] and Welfare Reform Bill (2011).

The Women's Budget Group

The Women's Budget Group (an independent voluntary organisation made up of individuals from academia and NGOs) has been scrutinising the gender implications of Budgets and spending plans of UK governments from the early 1990s onwards. The fundamental premise of its activities is that knowing about the gender implications of policy changes is important, not only to reduce gender inequalities but also to ensure that policies meet their goals most effectively.

The Women's Budget Group has been involved in commenting on the proposals for universal credit from the start. It agrees that benefit simplification and improving work incentives are laudable aims, but it has concerns about the design of universal credit (and other aspects of the Bill), which it believes may work against the government's duty to promote gender equality. It is concerned in particular about access to income – both earnings and benefits – for individuals living in couples,[7] which has an impact on women's financial autonomy. But it also believes that the proposals take insufficient account of the nature of modern families and the lives of those on low incomes, and so may undermine some of the government's other policy goals – including encouraging committed couple relationships and tackling child poverty.

Access to independent income: earnings

More couples in the UK now have two earners. We know that 'second earners', often women, are particularly sensitive to incentives. Under universal credit, however, the withdrawal of benefit as incomes rise will be at a much higher rate for many 'second earners' – even leaving aside childcare costs. This is, in part, because couples will currently only get one 'disregard' (income ignored before it counts against universal credit) between them, so if the 'first earner' has already used that up, the 'second earner's' earnings will reduce their universal credit from the first pound. This is the situation now with tax credits. But under universal credit, the rate of withdrawal, at 65 per cent, is much higher than the current tax credits taper.[8] At the time of writing, the exact shape of help with childcare costs under universal credit had not been clarified. However, in order to extend assistance to those in 'mini-jobs' of a few hours per week without spending additional resources, the government will have to reduce the help given to those working longer hours – which will exacerbate the situation described here for 'second earners'. And the 'poverty trap' facing them is likely to be more visible, because 'real time' information from employers will be used to reduce universal credit more quickly in line with additional income.[9]

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Fewer 'second earners' in couples would not only mean fewer women with access to an income of their own, it would also work against the aims of the improved maternity provisions and the sharing of parenting roles supported by the government. In addition, while the personalised conditionality under universal credit will be encouraging both individuals in couples, where appropriate, into the labour market, the message given by the higher withdrawal rate will contradict this for many potential 'second earners'. And while the government boasts of taking low-paid earners out of tax, many 'second earners' will lose at least two-thirds of each pound.

The government seems to be relaxed about the likelihood of fewer dual earner couples, saying that increased income under universal credit for the main earner will help families achieve their preferred work-life balance.[10] But work-life balance has hitherto been seen as a goal for individuals to attain, rather than one that applies to households. And these rules will apply to couples without caring responsibilities as well as those with them. The government also argues that its main priority is to help at least one person into work, to reduce the number of workless households. But we know that lone parents who were in employment as partners in intact couples are less likely to be jobless after family breakdown, so ensuring that 'second earners' in couples have adequate incentives to enter paid work is also important to this key government aim.

Access to independent income: non-means-tested benefits

Another important route to an independent income is via non-means-tested benefits. The Women's Budget Group welcomes the retention of carer's allowance (which at one time seemed in danger of being swallowed up in means-tested universal credit), but it is concerned about the knock-on effects of the proposed changes in the Welfare Reform Bill to disability benefits for additional costs, as this is the way entitlement to carer's allowance is currently established.

In addition, there is great concern about time limiting contributory employment and support allowance (ESA) for the work-related activity group to a year. This will affect more men than women, as shown in the official Equality Impact Assessment, but where it is the woman who is affected, means-tested compensation will be less likely, as women are more likely to have partners with earnings that disqualify the couple from benefit.[11] For both men and women in couples, time limiting contributory ESA means they will become dependent on their partners after a year just because they cannot work.

With these proposals and the impact of universal credit on potential 'second earners', a clear theme emerges: while the government is very keen to attack 'welfare dependency', it seems much less concerned about economic dependence within the family, and appears to hark back to a previous model of a single-earner family that many argue is no longer appropriate for today's needs.[12]

Universal credit: overview

Universal credit will amalgamate benefits/tax credits which currently have varying purposes and may be owned/claimed by, and paid to, different people (including different individuals within couples), often at different intervals, and withdrawn at different rates in a certain order. It is proposed that universal credit will be claimed and owned by couples jointly, usually paid in full to one partner, and withdrawn at the same rate across all elements of the payment; the government has confirmed that it will be paid monthly.[13] The closest parallel is perhaps joint claims for income-based jobseeker's allowance. But the absorption of help with housing costs into universal credit makes decisions about payment even more significant.[14] This is therefore a radical change that raises a number of issues, several of which have gender implications. The discussion below focuses on two: who should be paid universal credit in couples, and how often it should be paid.

Who should be paid universal credit in couples?

As with current means-tested benefits/tax credits, whoever universal credit is paid to it will not constitute an independent income in the same sense as earnings or non-means-tested benefits. This is because for couples it will involve joint assessment of needs and resources, as well as joint claiming, ownership and liability. So an individual's income is affected by her/his partner's presence, actions and resources; and if one partner's income and/or assets are high enough for the couple to be ineligible, the other partner will get no universal credit. It is therefore also important to consider wider concerns, as noted above.

Over recent years, debate has taken place in the UK about the recipient of means-tested benefits/tax credits in couples in relation to support for children and support in work in particular. Several arguments have been made. One is that the partner with the main responsibility for looking after the children's day-to-day needs (often, though not always, the mother) should receive the benefit for that purpose – which should be labelled as such if possible. It has been argued that this is likely to be the partner with lower, or no, other income.

There is also a more general case that relationships are likely to be more equal and balanced if both members of the couple have some income of their own. Certainly there is evidence that economic abuse is a component of domestic abuse in many cases.[15] The principle of rights and responsibilities would suggest that the individual conditionality under universal credit should be matched by more individual rights to benefit (as in Australia).[16]

A leaked paper suggested that the government was considering paying universal credit to women in couples.[17] But its official position is that it wants to make a single payment of universal credit in couples in the majority of cases, with couples choosing which partner should receive it, and regulations allowing (as now) for splitting benefit in certain circumstances only.

The government justifies this in three ways. First, such an arrangement would resemble wages, so couples could see how their work decisions affected their benefit. But as noted above, many couples now have two earners, not one. And in any case, universal credit is jointly claimed, jointly owned and jointly assessed; none of these is true of wages. The government argues that 'interference' would undermine the responsibility of couples in managing their affairs. But the government is 'interfering' in any case, by making couples choose one partner to receive the payment. It also says decisions over the allocation of resources are best made by households themselves.[18] But whoever universal credit is paid to, couples can decide how to spend it – it is just that experience shows that certain 'nudges' seem to work in terms of maximising the welfare of individuals within the household (such as labelling payments for children and paying them to the main carer). And, logically, if the government thinks choice is important, it should also allow couples to choose to split the payment between them, in the proportions they decide are appropriate.

At the time of writing, discussions are still underway about alternatives to the government's preferred option of requiring couples to choose one payee for universal credit. One argument that may be persuasive is that the government's own aim of encouraging committed coupledom may be undermined by this arrangement, as it could act as a financial disincentive to single people considering moving in with a new partner. Arrangements for universal credit must be flexible enough to work for all kinds of families, not just long-term stable married couples.

The government… wants to make a single payment of universal credit in couples

Frequency of payment

Currently, there is a variety of payment periods for different benefits/tax credits. Tax credit claimants can choose whether to receive them weekly or four-weekly. Many major means-tested benefits are paid fortnightly. The government proposes to pay universal credit monthly. This, it says, is the modern way, and resembles the way wages are paid. But at least one in five employees are in fact still paid weekly or fortnightly[19] and monthly payment does not fit well with many low-income families' patterns of managing their money.

The government says those who find the transition to monthly budgeting difficult could be given help with budgeting, including financial advice and interim and bridging loans. But this would be costly and labour intensive, and presumably it would mean having to apply, thus admitting you were failing. Nearly 40 per cent of families with children in the bottom fifth of the income distribution already run out of money at the end of the week/month (always, most often or more often than not),[20] so this is not just a problem for a small minority unable to budget. The Women's Budget Group is concerned that moving to monthly payment is likely to hit women in particular because they are often responsible for managing the overall budget in low-income families and/or for the more frequent spending on daily/weekly items, such as food, that can be cut. When the budget is tight, we know mothers are often the 'shock absorbers' who bear the cost.[21]

Ministers are said to believe that moving from weekly to fortnightly benefit payment in 2009 did not cause many problems. But this may be because people were reluctant to apply for the transitional loans on offer – not a good sign for the future. And recent qualitative evidence suggests this measure caused a step change in reducing ability to manage.[22] In this and other ways, the government's desire to help claimants towards paid work seems to be blinding it to the realities of everyday life on a low income. And the common division of labour in many low-income couples with children in particular means that the costs of less frequent payment are more likely to fall on women – and cause increased stress for families trying to stay together in difficult times.

Conclusion

Facilitating individual access to income should not be seen as a threat to family stability, but as having the potential to strengthen it. The Women's Budget Group believes that individual financial security is a better basis for achieving flourishing relationships, and that more flexible gender roles are more likely to result in stability and equality in couples today. Some provisions of the Welfare Reform Bill 2011, however, may result in greater economic dependence and threaten the reinforcement of a 'single breadwinner' model. This does not seem compatible with the government's duties on equality or its other social goals. ■

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Written evidence was sent to the Work and Pensions Select Committee Inquiry into universal credit by Susan Himmelweit on behalf of the Women's Budget Group (www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/743/743we01.htm) and by other Women's Budget Group members (eg, Fran Bennett and Ruth Lister). The Women's Budget Group has also published a short research brief on universal credit (www.wbg.org.uk/RRB_reports_13_4155103794.pdf)

1 Baroness Lister of Burtersett (honorary president of Child Poverty Action Group), House of Lords *Hansard*, 13 September 2011, col 726
2 See, for example, Community Links, Low Income Tax Reform Group and Child Poverty Action Group, *Interact: benefits, tax credits and moving into work*, 2007; F Bennett, M Brewer, and J Shaw, Institute for Fiscal Studies, 2009: www.ifs.org.uk/publications/4558
3 For example: R Sainsbury and K Stanley, 'One for all: active welfare and the single working age benefit', in J Bennett and G Cooke (eds), *It's All About You: citizen-centred welfare*, Institute for Public Policy Research, 2007, pp43–56; M Brewer, E Saez and A Shephard, *Means-testing and Tax Rates on Earnings*, Institute for Fiscal Studies, 2008; D Freud, *Reducing Dependency, Increasing Opportunity: options for the future of welfare reform*, Department for Work and Pensions, 2007
4 Centre for Social Justice, *Dynamic Benefits: towards welfare that works*, 2009
5 Department for Work and Pensions, *21st Century Welfare*, The Stationery Office, 2010
6 Department for Work and Pensions, *Universal Credit: welfare that works*, White Paper, Cm 7957, The Stationery Office, 2010
7 This article focuses on male/female couples. However, universal credit will also affect same-sex couples.
8 The tax credit withdrawal rate is now 41 per cent (gross); the 65 per cent withdrawal rate will apply to net earnings. But many second earners will have earnings below the tax threshold.
9 See also M Brewer, J Browne and W Jin, *Universal Credit: a preliminary analysis*, Briefing Note 116, Institute for Fiscal Studies, 2011; D Hirsch and J Beckhelling, *Tackling the Adequacy Trap: earnings, incomes and work incentives under the universal credit*, Resolution Foundation, 2011
10 Department for Work and Pensions, *Equality Impact Assessment for 'Universal Credit: Welfare that Works'* (Cm 7957), DWP, 2010
11 F Bennett and H Sutherland, *The Importance of Independent Income: understanding the role of non-means-tested earnings replacement benefits*, ISER Working Paper Series 2011-09, Institute of Social and Economic Research, University of Essex, 2011
12 See, for example, G Esping Andersen, *The Incomplete Revolution: adapting to women's new roles*, Polity Press, 2009
13 See Department for Work and Pensions, *Universal Credit Policy Briefing Note 2: the payment proposal*, DWP, 2011, which explains that there may need to be exceptions, and also budgeting support.
14 Child benefit and other non-means-tested benefits will currently continue outside the scope of universal credit. Council tax benefit is being devolved to local authorities with a 10 per cent cut in funding. The government has not yet announced what it is going to do about passported benefits (such as free prescriptions and free school meals). Community care grants and crisis loans from the social fund will be abolished, with local authorities able to run replacement schemes.
15 N Sharp, *'What's Yours is Mine': the different forms of economic abuse and its impact on women and children experiencing domestic violence*, Refuge, 2008
16 See J Ingold, *An International Comparison of Assisting Partnered Women into Work*, Working Paper No.101, Department for Work and Pensions, 2011
17 The *Guardian*, 14 September 2011. It is not clear that this would be possible under equality legislation.
18 These two justifications may refer to the decision to minimise payments to third parties (such as landlords).
19 According to figures from the Labour Force Survey, Family Resources Survey and Annual Survey of Hours and Earnings (see http://wbg.org.uk/pdfs/universal-credit-payment-issues-sept-2011-revised.pdf for sources). The government itself cites evidence that only half those earning under £10,000 a year currently get paid monthly.
20 N Maplethorpe and others, *Families with Children in Britain: findings from the 2008 Families and Children Study*, Department for Work and Pensions Research Report No. 656, Corporate Document Services, 2010
21 R Lister, in *Women's and Children's Poverty: making the links*, Women's Budget Group, 2006
22 Interviews conducted in UK for a study in seven countries: 'Shame, social exclusion and the effectiveness of anti-poverty programmes', based at Department of Social Policy and Intervention, Oxford University, and funded by the Economic and Social Research Council and the Department of International Development.