

Equality impact assessment

Universal Credit: welfare that works

19 November 2010

Equality impact assessment for “Universal Credit: welfare that works” (Cm 7957)

1. Introduction

The Department for Work and Pensions has carried out an initial equality impact assessment on the proposal to introduce Universal Credit (and consequential reforms) to meet the requirements of equality legislation. At this stage there are still some detailed policy decisions to be taken and so this Equality Impact Assessment provides an indicative high level assessment of impacts. Final conclusions cannot be drawn until policy development is complete. A more detailed Equality Impact Assessment will be provided with the introduction of the Welfare Reform Bill.

This process will help to ensure that:

- the Department's strategies, policies and services are free from discrimination;
- due regard is given to equality in decision making and subsequent processes; and
- opportunities for promoting equality are identified.

This Equality Impact Assessment considers the potential impact of the changes outlined in the White Paper on groups covered by equality laws, such as disability, gender, race and age. In some areas, our equality data is limited so we cannot say with certainty how some groups covered by equality laws would be affected. For example data on sex and age are better than those on race and disability, and currently we do not have enough data to consider impacts on religion/belief or sexual orientation. We are considering the best ways to improve our data on these issues.

2. Purpose and aims of Universal Credit

The White Paper sets out the Coalition Government's plans to introduce legislation to reform the welfare system by creating a new Universal Credit. This Universal Credit will radically simplify the system to make work pay and combat worklessness and poverty. The White Paper outlines the need for change, how Universal Credit will work, how it will affect recipients and its broader impact.

Universal Credit is designed to:

- provide a basic income for people out of work, covering a range of needs;
- make work pay as people move into and progress in work; and
- help lift people out of poverty.

Universal Credit is an integrated working-age credit that will provide a basic allowance with additional elements for children, disability, housing and caring. It will support both people in and out of work, replacing Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support and income-based Jobseeker's Allowance and income-related Employment and Support Allowance.

People will no longer have to take a risk in moving from one system of benefits to another. For those in employment, Universal Credit will be calculated and delivered electronically, automatically adjusting credit payments according to monthly income reported through an upgraded version of the Pay As You Earn tax system (on which HM Revenue and Customs will be consulting shortly). The system will be simpler and will respond more quickly to changes in earnings, so that people will not face the same complexities as they do now, particularly at the end of a tax year. As a result people will be much clearer about their entitlements and the beneficial effects of increasing their earnings by taking on more hours or doing some overtime.

The clear financial incentive provided by Universal Credit will be backed up by a strong system of conditionality; unemployed people who can work will be required to take all reasonable steps to find and move into employment. Conditionality will be responsive to an individual's circumstances – reflecting, for example, that whilst the majority should move into full-time work, for some people there may be temporary periods when part-time work is appropriate (for example, for some lone parents).

Overall administration of the new benefit will be managed by one department – the Department for Work and Pensions – as opposed to today's complex delivery of current benefits through the Department for Work and Pensions, HM Revenue and Customs and Local Authorities. People will have one system to contact rather than having to repeat information to three separate bodies, so strengthening the connection between financial and labour market support.

As a simpler, streamlined system, Universal Credit will reduce the scope for costly errors on the part of recipients and administrators. By allowing recipients to benefit financially from doing small amounts of irregular work Universal Credit will reduce the incentive for people to commit fraud by failing to declare work. A simpler, more automated system linked to taxes and earnings will also make it easier to detect and prosecute serious organised fraud.

The Government is committed to the principle that no-one should lose as a direct result of these reforms. We have ensured that no-one will experience a reduction in the benefit they receive as a result of the introduction of Universal Credit.

Universal Credit will provide support for working age adults and children. We are considering an option of allowing those pensioners who choose to extend their working lives to claim Universal Credit, rather than Pension Credit, so that they can take advantage of the tailored in-work arrangements. Otherwise the upper age limit for Universal Credit is expected to be the age at which people are eligible for Pension Credit, currently linked to state pension age for women. We are considering how best to support pensioners with the cost of rent and dependent children.

3. Consultation and involvement

In July 2010 we published the consultation document *21st Century Welfare* (Cm 7913). This laid out the problems of poor work incentives and complexity in the benefits and Tax Credits systems, the principles for reform and some broad models of reform. The consultation period ran from 30th July to 1st October. We received 1668 responses via telephone, post, email and through our online consultation site.

The greatest number of responses expressing a preference for one of the models for change supported the Universal Credit as likely to be the fairest and simplest to understand and ease the transition into work. People also welcomed the more generous disregards and single taper within Universal Credit and felt this model was the most likely to deliver an increase in benefit take up. A formal summary report of the responses received to *21st Century Welfare* includes the Government's responses to the points raised. Both documents are available at www.dwp.gov.uk/consultations/2010/21st-century-welfare/

Consultation and groups covered by equality laws

We also invited respondents to send us their views on the potential equality impacts of reform, and on how best to design a system so as to meet our proposed principles and as part of our duties to have due regard to equality.

Particular issues flagged up by respondents included the need to:

- assess the impact of proposals on equality groups before decisions are made; and
- take account of the implications for welfare reform of employment disadvantage faced by many groups covered by equality laws; and
- for gender:
 - compare the number of women and men affected by benefits or Tax Credit changes;
 - calculate the resources that may be transferred from women to men and vice versa by any changes;
 - examine the make-up and labelling of any transfers of resources between the sexes, and the impact of such transfers on gender roles and relationships;
 - consider the impact on the degree of autonomy enjoyed by women and men; and

- consider the impact on intra-household inequalities, both at the point of any change and over the life course.

We are exploring what evidence we have to consider this range of impacts and will report on them in due course. There are a number of policy decisions yet to be taken which will impact on the overall equality assessment.

4. Impact of Universal Credit

Current system and groups protected by equality laws

The current system of benefits and Tax Credits is of particular importance to people who are covered by equality legislation. This may be due to:

- having characteristics that make them more or less likely to take up a particular benefit (such as greater likelihood of being out of work);
- the length of time they stay on benefit and destinations after leaving benefit;
- the evolving benefits system and policy change;
- the effects of the economy (for example when in downturn); and
- take up and differential outcomes.¹

Barriers to employment can mean that some groups are out of work for longer and may have greater need to rely on the benefits system. For example data on employment rates shows that:

- women's employment rates are below those of men (68.8% compared to 75.4%);²
- ethnic minority groups have a lower employment rate than white groups (60.2% compared to 73.9%);
- employment rates are lower for disabled than non-disabled people (48.4% compared to 77.5%).

Associated with this, poverty affects certain groups disproportionately. For example the risk of a disabled adult living in poverty is higher than for adults with no disability and is particularly high for workless disabled adults. Individuals of Pakistani / Bangladeshi ethnic background have a significantly higher risk of being in poverty when they are in work than any other ethnic group.³

The structure of the current welfare system has developed piecemeal to meet needs and reflect changes in society (for example, support for children, for extra disability-related costs, and lone parents). These categories do not necessarily read across to equality groups. The definition of disability under the Equality Act does not coincide with eligibility for disability related benefits, but the vast majority of people receiving

¹ Retrospective equality impact assessment for customers' working age social security benefits, page 9.

² All estimates of employment rates presented here are based on DWP analysis of the Labour Force Survey for April- June 2010. They cover men aged 16-64 and women aged 16-59 in Great Britain, and are not seasonally adjusted.

³ Internal Analysis of the HBAI data 2008/09.

those benefits would be likely to fall under the Equality Act definition. As a result complexity may affect certain groups because of the range of overlapping payments that might be available to meet needs.

The way that the current system works can also be a disincentive to work. For example, complexity can be a particular problem for some people from ethnic minority groups (for example those whose first language is not English).⁴ So, in headline terms, making work pay and improving the prospects of these groups with lower employment rates is one of the most important things the Government could do to promote equality of opportunity.

We now consider the evidence available so far on specific groups covered by equality laws – gender, disability, race and age.

Gender

Background and statistics

The employment rate for women overall stands at 68.8% - this is around 7 percentage points lower than for men. Take up rates are fairly similar for single men and single women but lower for couples.⁵

Opportunities to promote equality

The Universal Credit reforms are all designed to help improve the incentive for individuals to enter work. Increased disregards and a reduced taper will help ensure that work always pays (with particularly marked improvement for work of less than 16 hours a week) and the increased simplicity and transparency of the system will reduce the uncertainty and risk felt by those making the transition into work. Removing the 16 hour rule will mean that it will be easier for parents, particularly lone parents, to fit work with their caring responsibilities.

One of the groups we expect to benefit particularly from this change is lone parents who will receive a more generous disregard. In particular, this will help lone parents who wish to work a small number of hours (under 16), perhaps helping them to gain the confidence they need after being out of the labour market, enabling them to fit work around childcare arrangements more flexibly than under the current system.

We know that the vast majority of lone parents are women and that the employment rate for lone parents, at 57.4%⁶, is 15 percentage points lower than the average. This is therefore an opportunity to promote equality with respect to employment and narrow the employment gap.

⁴ Disability Alliance, 2003, *Out of Sight - Race inequality in the benefits system*; Platt, L, 2007, *Poverty and Ethnicity in the UK*, Joseph Rowntree Foundation.

⁵ DWP, *Income Related Benefits: Estimate of Take Up in 2008/09*.

⁶ DWP analysis of the Labour Force Survey for April - June 2010. They cover men aged 16-64 and women aged 16-59 in Great Britain, and are not seasonally adjusted.

Risks of negative impact

Currently, 86% of in-work couples receiving Child Tax Credits have a female payee.⁷ Where there is a dependent partner in out-of-work households, the principal claimant is usually the man (87% of Jobseekers Allowance claims from someone with a partner, or a joint claim, is from a male claimant, and around 65% of Income Support claims are currently made by men).⁸ Under Universal Credit the working assumption is that with a joint claim, only one of the partners would receive the Universal Credit payment. However we are considering potential impacts of this change alongside any evidence about how families share their income and how money intended for children is spent. We will consider what if any gender impact this may have, and will report on this more fully when the Welfare Reform Bill Equality Impact Assessment is published.

Disability

Background and statistics

The employment rates for those defined as disabled under equality law⁹ (48.4%) are substantially below the average employment rates (72.2%).

The definition of disability for equality legislation is wider than any everyday notions of 'disability' or eligibility for disability payments. For example, people are protected against discrimination from the point of diagnosis for certain conditions (for example cancer or HIV) but this is not necessarily the point at which people would gain eligibility for disability-related benefits.

Take up statistics suggest that disabled people are no less likely to take up benefits to which they are entitled than those who are not disabled.

Opportunities to promote equality

There could be opportunity to promote equality for disabled people as the single taper and higher disregards should enable more disabled people to work a few hours (especially those with fluctuating capacity to earn for example because of mental health problems). The disregards will not be time limited (unlike some current Employment and Support Allowance permitted work rules). The simplicity of the new system will also help reduce the risk and uncertainty felt by those moving into work.

Conditionality should help promote positive attitudes towards disabled people as engaging in work related activity should help to show people's ability not disability.

⁷ HMRC Child and Working Tax Credit Statistics: April 2010 <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-apr2010.xls>, page 36, table 7.1.

⁸ DWP claimant data, October 2010.

⁹ The relevant definition of disability is now within the Equality Act 2010:

- physical or mental condition or disability that has lasted or is likely to last at least 12 months;
- condition or disability has a substantial (more than a minor or trivial) effect on ability to carry out normal day-to-day activities; and
- HIV, Cancer, Multiple Sclerosis covered from point of diagnosis.

Risks of negative impact

In terms of accessing the Universal Credit, as the White Paper states, we recognise that there will continue to be a minority of eligible people who cannot use online channels. These include groups covered by equality laws (for example disabled and older people).¹⁰ For these groups we will offer alternative access routes, predominantly by phone but also face to face for those who really need it. We expect these channels to be reserved for the minority who can't use, or be helped to use, online services and therefore that the use of alternative services will be kept to a minimum. This also presents us with an opportunity to help improve internet access for people who are digitally excluded. For face-to-face help in particular, we will consider how best to work with partners to meet this need.

Race

Background and statistics

The employment rate for ethnic minorities is 60.2%. This stands below the national average (72.2%) and is lower than the employment rate for white groups 73.9%.

Take-up statistics suggest that households from certain ethnic minority backgrounds are less likely to take up their entitlements to some benefits than other households.¹¹

Opportunities to promote equality

The single taper and reduced disregards in Universal Credit will improve work incentives, enabling us to promote equality of opportunity through increased employment. To maximise the opportunities for work we should ensure that communications about this are appropriately targeted to ethnic minority groups. There could be more scope for promoting good relations if more people are encouraged to try out work which could in turn generate more interaction with different ethnic groups at work, and a better balanced workforce.

Households from certain ethnic minority groups may experience difficulties navigating the benefits system, because language difficulties can compound the challenge of the very complicated system. This is evidenced by the lower take-up rates for some benefits amongst households from certain minority backgrounds,

They should therefore find the greater simplicity and automation within Universal Credit particularly beneficial. Under the current system people may claim one benefit but not be aware they are also entitled to claim others. By creating a single, integrated benefit, households who claim Universal Credit will receive all the elements to which they are entitled. Universal Credit therefore provides an

¹⁰ FDS international, 2009, *Segmentation of Autumn 2008/9 Customer Insight Data based on Internet usage*; Dutton W et al, 2009, *The internet in Britain 2009*, Oxford Internet Institute; Whitfield G et al, 2010, *Literature review to inform the future digitisation of Jobcentre Plus Service Delivery*, research report 679.

¹¹ DWP, *Income Related Benefits: Estimate of Take Up in 2008/09*

opportunity to make the welfare system more comprehensible and accessible for ethnic minority claimants.

We will also take the opportunity to address any existing low satisfaction with services and any differential outcomes for people from ethnic minority groups, to help to promote equality of opportunity.

Risks of negative impact

As we have noted above in relation to disability, there will be alternative access routes for people who cannot use online channels. The evidence suggests there is little difference in internet usage across ethnic groups – though some claimants may encounter problems accessing digital services because of difficulties reading and writing English.¹² A forthcoming study finds that ethnic minority claimants favoured face to face contact to a greater extent than white British claimants as they considered face to face contact yielded a more satisfactory outcome.¹³ Ethnic minority customers who had limited confidence in their language ability had the greatest preference for face to face contact. We are committed to ensuring equality of access for all claimants regardless of race and will consider so will ensure that claimants who have difficulty with reading and writing English will still be able to access our services as they do now. We will continue to offer a translation service through the Big Word.

Age

Background and statistics

Employment rates currently vary by age group as follows: 16-17 25%; 18-24 58%; 25-49 80%; 50 – 60/64 (former state pension age) 71%. The employment rate for people above state pension age is 12.6%.

Opportunities to promote equality

Currently Working Tax Credit is not available to those under 25 unless they have children or are disabled so younger people should benefit particularly from the reduced taper and integration of in- and out-of-work support.

The reduced taper should also support older workers who want to do some part time work.

Risks of negative impact

If most claims and notifications are to be dealt with online this could in theory disadvantage older people. Older people are less familiar with the internet; and age

¹² Whitfield G et al, 2010, *Literature review to inform the future digitisation of Jobcentre Plus Service Delivery*, research report 679.

¹³ Marangozov, R, Bellis, A, Barnes, H, forthcoming, *Using Jobcentre Plus services – views and experiences of ethnic minority customers*.

is one of the important factors determining 'digital exclusion'.¹⁴ However these reforms also present us with an opportunity to help improve internet access for older people who are digitally excluded.

Reforms to conditionality and sanctions

"Conditionality" means the requirements placed on claimants – to look for or prepare for work – in return for benefit payments. By setting out the actions a claimant must take, conditionality provides claimants with a clear path to get back to work or to get closer to the labour market. Changes to conditionality are intended to build on this by increasing people's work readiness and, where appropriate, by ensuring they are looking for work in the most effective way. These changes should help to improve the employment levels of disadvantaged groups. Some of the changes may affect some groups more than others but the outcome is expected to be positive. For example, the increase to lone parent conditionality is likely to affect women (especially younger women) more than other groups. As announced in the Budget, lone parents whose youngest child has reached the age of five will need to actively seek work unless they are disabled or have a health condition which prevents them working, or are a carer. However the conditionality arrangements are calibrated to certain circumstances like the child care responsibilities of lone parents, and the result of conditionality, alongside the Work Programme, should be more women in work. Separate Equality Impact Assessments will be produced for the introduction of Mandatory Work Activity and the increase in conditionality for people in the Employment and Support Allowance work-related activity group

Most people want to find work and will never be in the position of facing a sanction. The aim of our changes to the sanctions system is to make the consequences of failure clearer and simpler. We anticipate that most people who are sanctioned will receive a lower level sanction and indeed the majority of people are only ever sanctioned once. For those who repeatedly fail to meet their responsibility to look for work there will be progression through the sanctions regime to the tougher penalties. Recipients in this category will have had many opportunities to demonstrate engagement and will have been clearly warned of the consequences of continued non-compliance. We are, however, taking steps to mitigate any negative impacts. The introduction of the claimant commitment, for example, will ensure that claimants are very aware of the sanctions that will follow a failure to comply and there will be a hardship regime to guard against destitution. We will provide a more detailed analysis in subsequent versions of this Equality Impact Assessment.

¹⁴ Whitfield G et al, 2010, *Literature review to inform the future digitisation of Jobcentre Plus Service Delivery*, research report 679.

5. Monitoring and evaluation

We will monitor equality impacts of Universal Credit as the policy develops. As stated in the White Paper we intend to provide a more detailed assessment of the impact of the policy as part of the Welfare Reform Bill Equality Impact Assessment. In terms of delivery, the 2010/11 Jobcentre Plus Customer Satisfaction Survey will ask for data that includes characteristics protected by equality legislation, and we will monitor the use of digital services to identify any differences in take-up by groups covered by equality laws.

We will ensure that the systems introduced for Universal Credit include monitoring arrangements which will enable us to understand potential impacts on groups covered by equality legislation.

We will be developing a full evaluation strategy which will also include consideration of understanding the impact on protected groups.

6. Next steps

We intend to introduce a Welfare Reform Bill in January 2011 to give effect to these and other changes, and we will be producing a broader set of Equality Impact Assessments then, when we have a clearer view of the potential impacts.

7. Contact details

For further details about this assessment please contact us:

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