

Housing Rights

Professional Resource on...

Universal Credit and Housing



A series of essential guides on housing law in practice in Northern Ireland

**Housing
Rights**

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Background to Universal Credit

What is Universal Credit?

Universal Credit is a single payment that can be made to working-age people who are out of work or on low incomes and which replaces some legacy social security benefits. Since 2010, the UK Government has engaged in a wide-ranging programme of welfare reform, of which Universal Credit is the flagship element. The introduction of Universal Credit is the biggest overhaul of the benefits system since the 1940s.

Universal Credit replaces the following working-age benefits:

- Income Support
- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Housing Benefit
- Child Tax Credit
- Working Tax Credit

The benefits and system which Universal Credit intends to replace will be referred to as "legacy benefits" and the "legacy benefits system" throughout.

The basic conditions of entitlement require the claimant to:

- be at least 18 years old and under Pension Credit age
- be resident in Northern Ireland
- not be in education; and
- have accepted a Claimant Commitment

The Claimant Commitment is a tailored agreement between the claimant and his or her work coach, outlining what the claimant must do in order to continue to receive Universal Credit. The requirements in the commitment will depend on the claimant's individual circumstances. Claimants can face sanctions if they fail to adhere to this commitment.

In Great Britain, claimants will be paid monthly and in arrears, although payment frequency will be twice-monthly in Northern Ireland, unless the claimant elects to receive payment on a monthly basis. The amount received depends on the household's needs and resources. One of the significant advances with this benefit is its interaction with real-time information from HMRC, which should result in greater accuracy of claims and payments for any in-work claimants with fluctuating hours.

The Department for Communities released a report in September 2016¹ analysing the impact of Universal Credit in Northern Ireland.

¹ The impact of Universal Credit in Northern Ireland, <https://www.communities-ni.gov.uk/sites/default/files/publications/dsd/Impact%20of%20Universal%20Credit%20Booklet%20-%20Sept%202016%20Update.pdf>

This report looks at the average gains and losses which will be sustained by various earning groups and households in Northern Ireland, and suggests that 114,000 households will be financially better off under Universal Credit, while 126,000 households will have a lower entitlement under Universal Credit. The report modelling suggests that in-work households are more likely to see a change in entitlement, whether positive or negative, while total entitlement for out of work households is likely to remain unchanged. Despite repeated insistences that Universal Credit will make work pay, this report states “in work households are more likely to experience a lower entitlement in general... there are various other differences that can make the level of in work support less generous under Universal Credit than Tax Credits”.²

Universal Credit is also likely to affect negatively on those who are self-employed, in that it imposes a level of earnings on people who are in gainful self-employment, regardless of what that person’s actual earnings from business are. This will cause particular difficulties for people involved in seasonal trades, who will experience periods during which their actual business profits rule them out of all entitlement, while the assumed level of earnings will reduce their benefit income during fallow periods.

Context and reasons for introduction

The stated policy intention of Universal Credit to help claimants and their families become more independent and to simplify the benefits system by creating a single payment, rather than requiring claimants to submit multiple claims to various government agencies. .

For many years, concerns had been expressed about the complexity of the benefits system. In 2005 the Department for Work and Pensions announced a commitment to simplifying the benefit system, while the National Audit Office stated in the same year that the system’s complexity “is one of the most important issues impacting on the performance (of the DWP)”. A report commissioned by the Labour Secretary of State for Work and Pensions in 2006 recommends a move towards a single system, and includes a chapter expanding on this idea.³ The author of this report, Lord David Freud later became an adviser to the Conservative Party and was eventually appointed Minister of State for Welfare Reform in 2015.

Another key figure in the development of Universal Credit is Iain Duncan Smith, former leader of the Conservative Party and a founding member of the Centre for Social Justice. The Centre for Social Justice issued a report in 2009,⁴ which was highly critical of the existing benefits system and presented specific proposals for a new dynamic benefits system, called “Universal Credits”. The report claimed that

² Paragraph 69 [The Impact of Universal Credit](#), Department for Communities, September 2016

³ [Reducing dependency, increasing opportunity](#), Central Government, 2007

⁴ [Dynamic Benefits: Towards welfare that works](#), Centre for Social Justice, 2009