

# An introduction to Universal Credit

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Universal Credit aims to introduce greater fairness to the welfare system by making work pay. It will help to ensure that people are better off in work than on benefits.

Despite considerable welfare spending in recent years, the current benefit system has trapped people in poverty. Universal Credit will ensure that work is the best choice for individuals or families and provides a route out of poverty and away from benefit dependency for thousands of people.

## **What it means for you**

Universal Credit aims to make the welfare system simpler by replacing 6 benefits and credits with a single monthly payment if you are on a low income or out of work. It includes support for the costs of housing, children and childcare, as well as support for disabled people and carers.

Universal Credit started to be introduced in stages from April 2013 and is replacing:

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

In summer 2014, we expect to progressively start to take claims for Universal Credit from couples and, in the autumn, from families. Once safely tested in the 10 live Universal Credit areas, we will also expand the roll-out to cover more of the North West of England. We plan to make Universal Credit available in each part of Great Britain during 2016. New claims to existing benefits, which Universal Credit is replacing, will then close down, with the vast majority of claimants moving onto Universal Credit during 2016 and 2017.

## **Making work pay**

Universal Credit aims to ensure you will be better off in work and makes it easier for you to start a new job or work more hours. As your take home pay increases Universal Credit will reduce gradually so you won't lose all your benefits at once if you're on a low income. There are no fixed hours thresholds, such as the 16 hours a week rule. Even working just a few hours a week will make a difference, as you move towards financial independence.

When you start work, your employer may enrol you into a workplace pension.

If you stay enrolled, you will begin to save for your future as you earn. This means extra money, because your employer pays in each month too. Your Universal Credit payment won't be affected by your workplace pension.

### **Claiming Universal Credit**

Most people already use the internet to access services and to get information instantly. Under Universal Credit, you can make your claim online at [www.gov.uk/universalcredit](http://www.gov.uk/universalcredit). If you cannot claim online, face to face and telephone support will be available until you can get access to the internet.

Universal Credit is being introduced gradually. This means that you may continue to get your existing benefits for a while, if your circumstances stay the same. If there is no change in your circumstances you will not be any worse off when you move onto Universal Credit.

### **A two way responsibility**

Universal Credit will establish a new two way relationship between you and the government. In return for receiving Universal Credit, you must accept and fulfil a Claimant Commitment that sets out your responsibilities and the consequences of not meeting them.

The Claimant Commitment will take account of your personal circumstances, your current situation and potential for future earnings. If you are unemployed but able to work you will be expected to make looking for a job your full time focus. If you are not able to work you will continue to receive financial protection.

If you are already working to your full potential you will still have a Claimant Commitment but this will not ask you to carry out any job seeking activities.

### **Universal Credit payments**

Universal Credit is paid monthly, directly into the account you have chosen. If you are part of a couple, living in the same household, and both of you are claiming Universal Credit you will receive one monthly payment into one account. Other adults living in the same household who are claiming Universal Credit will be paid separately.

Monthly payments match the way most salaries are paid. This will help you to move into work, as you will be used to managing a monthly budget.

A range of support services are available if you need help with budgeting and managing your money. Where necessary it is possible to use alternative arrangements, such as twice monthly payments, for a period of time.

### **Better off in work**

Unlike the current system, your benefits won't be suddenly taken away just because you have started work. Universal Credit will only be steadily withdrawn as your take home pay increases and you move toward financial independence. You will be better off for every additional hour you work, whether in a full or part-time job. By combining in work and out of work benefits Universal Credit removes the financial risks of taking up a job.

## Making your Universal Credit claim

To make searching for work easier we have introduced Universal Jobmatch ([www.gov.uk/jobsearch](http://www.gov.uk/jobsearch)), a new online service to help you find jobs that match your skills and experience. You can build and upload a CV, tailor your job preferences and receive messages when suitable new jobs are advertised.

### **Universal Credit and employers**

Universal Credit is introducing Pay As You Earn (PAYE) in real time to help employers manage their payroll and help their staff get the right benefit payments. When you are in work and your hours change, your employer will report it on PAYE in real time and your Universal Credit payment will be adjusted accordingly.

This gives your employer and you more opportunity to work flexibly, and removes the risk of your benefits being stopped just because you work a few more hours.

Most employers have already started to use the PAYE in real time system to report their staff's earnings to Her Majesty's Revenue and Customs (HMRC).

### **Getting ready for Universal Credit**

Universal Credit is being introduced in phases. When it will affect you will depend on where you live and any benefits you currently claim. Getting online and sorting out the best way to manage your money will help you get the most from the new service.

The Universal Credit [online planning tool](#) is available through GOV.UK and can help you to prepare for making a claim to Universal Credit. You provide the answers to some basic questions and it will tell you how ready you are for Universal Credit. It will also provide advice on what you need to do next and the best sources of advice on offer. It will not tell you how much Universal Credit you will get as this will depend on your circumstances when you claim.