Universal Credit Policy Briefing Note

Transitional Protection and Universal Credit

1. Changes since last Policy Briefing Note

We have said that we will offer Transitional Protection to claimants migrating to Universal Credit from legacy benefits where their circumstances have otherwise remained the same to ensure that they do not receive less as a result of their move to Universal Credit.

In the previous briefing note of 4th July 2012, we outlined the circumstances that would result in the end of Transitional Protection. Since publishing this note and discussing the policy with stakeholders over the summer, we have considered further the significant circumstances that will end Transitional Protection. As a result we have amended the list of circumstances that will constitute a termination of Transitional Protection to ensure that claimants who are moved onto Universal Credit with no change in circumstance are protected by a transitional package that is simple to understand and administer. The significant circumstances which will result in the ending of Transitional Protection and the changes that have been made can be found in paragraph 6 of this note.

2. Background

The principle of offering Transitional Protection which avoids cash loss at the point of change and which erodes over time is an established one. It is similar to the approach adopted when Income Support was introduced in 1988 and in the current move from Incapacity Benefit/Income Support to Employment and Support Allowance.

The cause of claimants moving to Universal Credit will determine whether Transitional Protection will apply. Once Universal Credit is launched, some people in receipt of current benefits will be moved over in a process wholly managed by DWP. Transitional Protection will be considered in these cases and will be applied, at the point of transition, where the total household Universal Credit entitlement would otherwise be lower than their total existing award of benefit and tax credit. Claimants who come onto Universal Credit as a result of a change of circumstance meaning they need to apply to Universal Credit instead will not be entitled to Transitional Protection.

3. Key Policy Principles

For many claimants, Universal Credit will provide a level of support that is the same as, or higher than, the current system.

To ensure, there will be no cash losers directly as a result of the migration to Universal Credit where circumstances remain the same, the Government will provide cash protection to claimants whose Universal Credit award would be less than under the old system, in the form of an extra amount to make up the difference between the old and the new. The maximum amount will be fixed at the point of change and cash protection will continue to be paid until the value of the award under the new system overtakes the levels of the pre-Universal Credit entitlement. Section 5 outlines what happens to the cash protection as the amount of a Universal Credit award changes.

The cash protection amount will not be uprated over time along with the rest of the entitlement, and the protection will stop if a claimant ceases to claim Universal Credit or has to be reassessed for a significant change of circumstances. Any cash protection will not be applied to future claims.

4. How will Transitional Protection be calculated?

Transitional Protection will be calculated by comparing the total household monthly benefit and tax credit receipt at the point of migration with the total first household Universal Credit entitlement. Where the Universal Credit entitlement is lower, Transitional Protection will be awarded as a cash amount to make up the difference.

This calculation will be undertaken ignoring any sanctions or deductions to which the household is subject from their legacy benefits or tax credits. This will ensure the Transitional Protection amount is based on the household entitlement at the point of transition rather than the payment amount.

The comparison of total legacy benefit and Universal Credit will be calculated once the Benefit Cap has been applied to both amounts. However, Benefit Cap rules will still apply, and so those households who are exempt from the Benefit Cap will be unaffected.

Transitional Protection will also not be offered to self-employed claimants against the effects of the Minimum Income Floor. In these cases, the Transitional Protection calculation will be carried out prior to the Minimum Income Floor being applied. Once the Minimum Income Floor is applied the household will retain their Transitional Protection amount, but no further protection will be provided. This will ensure that claimants' circumstances other than those related to earnings are protected.

5. How will Transitional Protection change?

Transitional Protection will be eroded by changes in the underlying Universal Credit Award, as outlined below.

Subsequent increases in Universal Credit award: for example, if a claimant qualifies for £20 cash protection and subsequently sees a rise in their underlying Universal Credit award, perhaps through a small fall in income, the birth of a child, or through uprating of the Universal Credit elements, the total award will not increase until the £20 cash protection is used up. This approach ensures that people move eventually to their new rate but without seeing any cash reductions in the amount.

Subsequent decreases in Universal Credit award: if a claimant sees a fall in their Universal Credit award, maybe through an increase in their earnings, the amount of cash protection given at the point of transition will be unaffected, ensuring that work incentives are also protected.

Should a claimant continue to increase their earnings past £0 Universal Credit net entitlement then their Transitional Protection will be removed at the set single taper rate[1]. This ensures that claimants do not experience a 'cliff-edge' by losing all their Transitional Protection once they are no longer entitled to Universal Credit. However it ensures that they do not continue to receive support should they no longer need it.

6. When will Transitional Protection end?

As stated, we believe it is correct to cushion claimants who are affected by a change that the DWP is making when the claimant has had no changes in circumstance. However, it is appropriate to end this protection when circumstances underlying an award are no longer recognisable as those on which the legacy calculation was made. Therefore Transitional Protection will end altogether if a claimant's circumstances change significantly. The following occurrences are defined as a significant change in circumstance:

- a partner leaving/joining the household;
- a sustained (3 month) earnings drop beneath the level of work that is expected of them according to their claimant commitment;
- the Universal Credit award ending; and/or
- one (or both) members of the household stopping work.

Once Transitional Protection has ended it will not be applied to any future awards.

7. Transitional Provisions Regulations

We are continuing to plan the transition from the existing benefit system to Universal Credit so that claimants experience as smooth a transition as possible.

The Transitional Provisions Regulations that will be laid following the Autumn Statement will provide for the Pathfinder phase of Universal Credit, which will enable the Department to test the core structure, functionality and capability of Universal Credit in a live environment six months before roll out begins in October 2013. A further set of Transitional Provisions Regulations will be laid in 2013 which will provide for Transitional Protection of claimants when roll-out commences.

[1] The taper rate is detailed in Universal Credit Regulations 2012 published today (10th Dec 2013)