

James Wolfe
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7 September 2015

Dear James

The Universal Credit (Work Allowance) Amendment Regulations 2015

Thank you for presenting these draft proposals, and explaining the policy behind the intended regulatory changes, to the Social Security Advisory Committee on 2 September. As you know, after careful consideration the Committee concluded that, under the powers conferred by Section 173(1)(b) of the Social Security Administration Act 1992, it does not wish to take these regulations on formal reference and that they may proceed accordingly. However, the Committee has asked me to write to place on record one of the concerns it raised at the meeting.

The Committee notes that one of the core principles underpinning Universal Credit has been that it provides an incentive for people to work or to work more, and that individuals will always be better off in work. The basis of the work incentive within Universal Credit was the fact that a person could remain on benefit and retain proportionately more of their earnings as wages increased. The Chancellor's Budget statement signalled a significant shift to increasing work incentives on the basis that those with above median earnings should not be supported through Tax Credits or Universal Credit. The Committee does not intend to argue in favour of one approach over the other, but is concerned about whether there is an adequate evidence-base to assess and evaluate the change in policy.

The Committee understands that this particular measure will not change the fundamental nature of Universal Credit. However the scale of the projected savings (£2.5bn) is such that it is inevitable that the impact is likely to be severe on certain categories of claimants. The Committee is also concerned that there may be unintended consequences that have not yet been identified.

The Committee is of the strong view that the impact needs to be analysed carefully and the policy about work incentives should be derived from strong evidence. In particular, the Committee is concerned that:

- there may be an uneven impact on individuals;
- there is a lack of statistical analysis to support the view that the abolition of the work allowance for several UC categories will not deter people from seeking work; and
- its reduction in other cases will not weaken work incentives for some people.

The Committee would welcome sight of more detailed information setting out the Department's assessment of the impact on those affected.

Finally, the Committee welcomes the plans you have in hand to communicate the changes introduced by this legislation to staff and to external stakeholders, but would like me to emphasise the importance of ensuring that the proposals are additionally communicated effectively to customers.

Please do not hesitate to contact me should you require further information.

*Yours,
Denise Whitehead.*

Denise Whitehead
Committee Secretary