

Consultation response

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Age UK's response to the Work and Pensions Committee's inquiry into progress towards implementation of Universal Credit

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About this consultation

This Inquiry by the Work and Pensions Select Committee is looking into progress towards the implementation of Universal Credit. It is examining the implementation process, the proposed entitlement conditions and the future operation of the benefit.

Key points and recommendations

- Age UK supports the Government's aim of a simpler system with better work incentives for people of working age. Particular issues for those in their 50s and early 60s are: support for disability, digital exclusion and appropriate help for older jobseekers.
- At least in the shorter term the introduction of Universal Credit is likely to increase demands on independent information and advice services. The Government should consider how it could support the advice sector.
- Couples where one has reached Pension Credit age and the other is younger ('mixed age couples') could end up with £100 a week less income under Universal Credit than under the current Pension Credit system. The older partner could be financially better off living alone and claiming Pension Credit.
- Carers and people with limited capacity to work who have an older partner may receive additional elements in Universal Credit but couples could still face lower incomes than under the current system. And it is unclear whether rates will be increased if the older partner is disabled and if so how disability will be assessed.
- Older partners may have to draw more on their retirement savings to support a younger partner. They may also lose other support linked to Pension Credit such as Cold Weather Payments and the Warm Home Discount and miss out on protection for pensioners within Housing Benefit and support with council tax.
- As the aim of the change for mixed age couples is to increase work incentives rather than cut spending we believe there is scope to use savings that will be made to provide an additional element within Universal Credit where one partner is older.
- The new Pension Credit capital limit should not be used as a way of cutting overall support and older parents or grandchildren should not be adversely affected by reforms intended to change provision for working age people.
- While we are pleased that pensioners will be protected in the new system of local support with council tax we do not believe that local authorities should be put in a position where it is against their financial interest, and those of younger low income people in the area, if more older people claim their entitlements.

- Delivery plans and ongoing communications around reforms to means-tested benefits for older people need to be designed to maximise the take-up of benefits and to ensure that the transition from working age to pensioner benefits is as simple and as automatic as possible.

1. Introduction

1.1 Age UK welcomes the opportunity to respond to the Committee's inquiry into progress towards implementation of Universal Credit. Although Universal Credit is a working age benefit it is likely to have a significant impact on the people that Age UK represents and our services for the following reasons:

- While much of our work is with pensioners we are also concerned about the financial position of people approaching State Pension age. People in their 50s and early 60s sometimes come to us for information and advice and the numbers who do so seem likely to increase.
- Pensioners will be part of the Universal Credit system if they have a partner who is under the Pension Credit qualifying age.
- As a result of the introduction of Universal Credit there will need to be changes to benefits for pensioners.

1.2 In this response we highlight aspects of the reforms that may particularly affect people approaching state pension age and then focus on the impact of changes for people over Pension Credit age.

2. People approaching State Pension age

2.1 Age UK supports the Government's aims in introducing Universal Credit, namely to simplify the system, incentivise work and ensure smooth transitions in and out of work. However we are concerned about aspects of the reforms. Three areas that will be particularly important for people in their 50s and early 60s are:

- Support for disabled people given that disability becomes more prevalent with age. We are concerned that changes such as the abolition of the severe disability premium and time limiting of contribution based Employment and Support Allowance (ESA) will have an adverse effect on some disabled people approaching retirement.
- The digital by default approach is a considerable challenge. Internet use is lower among low income people and falls with age. Around a quarter (24%) of 55-64 year olds never use the internet compared to six per cent of 25-34 year

olds¹. It will be essential that those who are currently digitally excluded are not disadvantaged.

- The Work Programme needs to ensure that its services are effective for older jobseekers. Once out of work, it is harder for the over-50s to move back into employment than for any other age group, with less than 40% of those who lose their job back in work a year later².

Impact on information and advice services

2.2 Even if Universal Credit does ultimately achieve the aim of a being simpler system, in the shorter term, there is likely to be greater pressure on advice agencies. People will need support with the new system, there will be issues around transitional protection and during the period of transition there will be two different systems running. Some local Age UKs have reported an increasing number of people under State Pension age seeking information and advice on benefits such as ESA and we expect this to rise as the welfare reforms changes are introduced and State Pension age increases. Many advice services are already under pressure and having difficulty maintaining funding. Their role will be essential to support reforms and the Government should consider how it can support the advice sector to cope with demand as the changes are introduced.

3. Universal Credit for couples where one is over Pension Credit age

3.1 The introduction of Universal Credit will change the way that couples are treated where one is a pensioner and the other is of working age - described here as 'mixed age couples'. Currently as long as one partner in a couple has reached Pension Credit age they are treated as a pensioner couple for the purpose of means-tested benefits. Those already receiving Pension Credit will continue to be entitled but in the future mixed age couples will need to claim Universal Credit.

3.2 During the passage of the Welfare Reform Bill Ministers explained that the reason for the change was to ensure that the younger partner is subject to work related conditions. He said 'This is not a saving measure as such. We have not calculated a saving out of it'³.

3.3 Age UK understands why the Government wants to treat working age people with older partners in the same way as others in respect of work related requirements and in some cases couples will be better off under Universal Credit because of the more generous earnings rules. However where neither partner has earnings, couples

¹ *Internet use and attitudes bulletin 2012* Ofcom, 2012. The bulletin shows that 56% of people with low incomes never use the internet compared to 81% of the UK population aged 16 or over.

² *Too much to lose* Policy Exchange, 2012.

³ *Hansard PBC debate* 28 April, col 553.

who claim benefit in the future are likely to have lower income under Universal Credit. This would apply where the younger partner is not able to work due to caring responsibilities or disability, or is unable to find paid work despite fulfilling the agreed job seeking requirements.

3.4 Although Universal Credit rates have not been announced they are expected to be in line with current benefits. Mixed age couples where neither is working could end up with £100 a week less than under the Pension Credit system – the current standard Pension Credit guarantee rate for a couple is £217.90 whereas it is just £111.45 for ESA or Jobseeker's Allowance (JSA). The rate for a couple would be less than the Pension Credit rate for a single person which is currently £142.70. This reflects the higher benefit levels for older people but we see this as an indication of the low level of working age benefit rates rather than over generous support for pensioners.

Carers and disabled people

3.5 There will be additional carer and disability elements within Universal Credit but these are unlikely to compensate for the loss of Pension Credit. For example if the younger partner is unable to work because he or she is caring for a parent then there will be an additional carer element in Universal Credit. However with Pension Credit the couple receives a higher basic rate of benefit plus an addition in recognition of caring responsibilities.

3.6 If the younger partner is incapable of work they could receive an additional element equivalent to the ESA work-related activity component (currently £28.15) or the support component which is currently £34.05, although the Government has said that 'as resources become available' they will increase this in stages to £77 (2011-12 rates). These elements will reduce, but not remove, the difference between Universal Credit and Pension Credit rates.

3.7 And it is unclear what the position will be if it is the older partner who is disabled. Someone who is say 70 will not be assessed for their ability to work or carry out work related activity but we do not know if they will receive additional support and if so, how this will be assessed.

Savings

3.8 Universal Credit will have a £16,000 upper capital limit whereas there is no upper limit for Pension Credit and there is a higher level of assumed income for savings under the threshold. As a consequence pensioners with savings who have a younger partner may need to draw down their retirement savings to support their partner at a much faster rate than under the Pension Credit system.

Linked support

3.9 People with a younger partner will also miss out on other support intended for older people such as Cold Weather Payments and Warm Home Discounts. In addition they may be affected by localisation of council tax support and Housing Benefit restrictions for social tenants considered to have more bedrooms than they need. In both these policy areas the Government said it would protect pensioners.

However it appears they will not receive this protection if they have a younger partner because they will be redefined as working age.

Age UK's views

3.10 Age UK believes that it is very unfair to put older people with younger partners in a position where they would be better off financially living alone. Where couples stay together and the younger person is unable to work due to caring or disability, or is able to work but cannot find a job, they will be placed in a difficult financial position.

3.11 We are concerned that the combined impact of welfare reforms could work against other areas of Government policy. For example people are being encouraged to provide for their retirement but a pensioner may have to draw on their life savings to support their partner with little prospect of ever replenishing these.

3.12 The Government wants to encourage anyone under Pension Credit age to work but this can be done through work-related requirements. And rather than providing incentives to work, as the time for introducing Universal Credit approaches, some people with an older partner may be better off giving up their job and claiming Pension Credit before the changes are introduced.

3.13 Where one partner in a couple is not expected to work due to caring or disability higher rates of Universal Credit will apply. Age UK believes that there should also be additional support where one partner is not expected to work due to their age.

3.14 The Government has said that in the current spending period the changes could save up to £100 million⁴ and over time this will increase as more mixed age couples claim Universal Credit rather than Pension Credit. Given the Minister made clear that the aim was to improve work incentives rather than to cut spending we believe there is scope to use savings that will be made in order to provide an additional element within Universal Credit where one partner is older.

3.15 These issues are covered in more detail in Age UK's paper *Universal Credit and couples if one is over Pension Credit age*

4. Impact on pensioner benefits

4.1 Although Universal Credit and other welfare reforms are aimed at simplifying support and improving work incentives for people of working age there will also need to be changes to benefits for older people. These include:

- The introduction of a housing credit in Pension Credit to provide support with rent once Housing Benefit is abolished.

⁴ *Hansard* 18 Oct 2011, col.936W.

- A new credit for children in Pension Credit for older parents, grandparents or others with responsibility for children once Child Tax Credit is abolished.
- Provisions to ensure the transition from working age to pensioner benefits works smoothly given the systems will vary more.

Housing credit

4.2 Housing Benefit currently has a £16,000 capital limit (where someone is not in receipt of Pension Credit guarantee) whereas there is no upper capital limit for Pension Credit. However when help with rent is incorporated into Pension Credit, rules will need to be aligned and the Government has said it will introduce a capital limit into Pension Credit which 'will be a higher capital limit than for working age claimants'.

4.3 If a limit is introduced at over £16,000 then this could be beneficial to some older Housing Benefit claimants who are not currently entitled to support. However others with higher levels of savings but who would be entitled to Pension Credit guarantee because of their low income could lose support. The impact will depend on where the savings is set. We believe that in deciding on the threshold the Government should keep to the aim of aligning schemes and not try to cut overall support. Otherwise older people with moderate savings will have to draw on their retirement funds at an earlier stage and younger people are more likely to feel building up savings is not worthwhile.

Children

4.4 We are not aware of any information about the likely level of support in Pension Credit for children or any analysis of the impact the change will have on the incomes of older people caring for children. It is important to ensure that pensioners with dependent children are not adversely affected by reforms intended to change provision for working age people. For those in this position, such as grandparents who are bringing up their grandchildren, the role can be physically and emotionally demanding and financial pressures can make the situation more difficult.

Benefit take-up and council tax support

4.5 We know that many older people do not receive their full benefit entitlements. Between £3.7 and £5.5 billion of means-tested benefits are estimated to go unclaimed each year by pensioners and around a third of those entitled to Pension Credit miss out⁵. A positive feature of the new Pension Credit system will be that only one claim will be needed for support with basic living costs and help with rent which will make the claim process more straightforward. On the other hand some people entitled to Housing Benefit alone may be less inclined to claim if they need to approach the Pension Service rather than their local authority.

⁵ *Income related benefits: estimates of take-up in 2009-10* DWP, 2012.

4.6 Council Tax Benefit is being replaced by a localised system of support with council tax. We are very pleased that pensioners are being protected but concerned about the potential impact on take-up. Whereas help with rent will be incorporated into Pension Credit, support with council tax will be less closely associated with other means-tested benefits. There will be provision for data sharing so it is hoped that older people will not need to resupply any information needed for a claim that has already been provided for DWP to administer Pension Credit. The design of the system will need to make sure that the process minimises the danger that people will not proceed with a claim for support.

4.7 As local authorities will need to fund support from a fixed and reduced budget they will have no incentive to proactively encourage take-up among older people in a way that some do now. Age UK believes that local authorities should not be put in a position where it is against their financial interest, and those of younger low income people in the area, if more older people claim their entitlements.

Moving forward

4.8 It is inevitable that given the major changes to benefits and tax credits and the challenges in setting up the new IT systems for Universal Credit the main focus will be on provision for people of working age. However it is important that the consequences for older people's benefits are also taken into account and that other policy objectives are not put at risk. For example if less is done to support benefit take-up then pensioner poverty rates could increase and changes to the treatment of savings could discourage retirement provision.

4.9 Delivery plans and ongoing information and publicity should take into account the importance of ensuring systems are as easy to understand as possible and try to maximise take-up. Furthermore given that support for working age people is going to be increasingly different to support for pensioners it is essential that the transition from one system to the other when people become pensioners is made as simple and as automatic as possible.