

THE ALLIANCE PARTY'S PROPOSALS TO ADDRESS
THE FIVE-WEEK WAIT IN UNIVERSAL CREDIT



No More Time to Wait

Alliance

SEPTEMBER 2024

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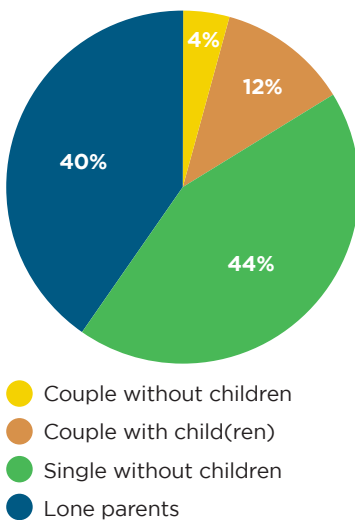


INTRODUCTION

Universal Credit (UC) was introduced by the then-Conservative government in 2013, as part of the wider programme of welfare reform. It is supposed to provide financial support to those who are out of work or on a low income, and replaces six social security 'legacy' benefits (Child Tax Credit, Housing Benefit, Income Support, income-based Jobseekers' Allowance, income-related Employment and Support Allowance and Working Tax Credit).

Universal Credit has been in place for new claimants in Northern Ireland since September 2017, with people who were previously in receipt of legacy benefits being moved to UC from 2023. In total, there are over 185,000 Universal Credit claimants in Northern Ireland.¹ The amount a person will receive in UC depends on their circumstances, but the standard allowance for a single person aged under 25 is £311.68 per month.

Who receives UC in Northern Ireland? Households in payment, May 2024.²



There are a range of well-documented and fundamental issues with the design and administration of Universal Credit – including its punitive sanctions regime and failure, in many cases, to cover the cost of daily living essentials.

But perhaps the most high-profile of all is the five-week wait that all claimants must endure for their first payment when they apply for Universal Credit. The five-week wait is an explicit design feature of the UC system, and one that is driving poverty and misery in every corner of Northern Ireland today.

In 2022, the Independent Review of Welfare Mitigations made a number of recommendations to help address the five-week wait in Universal Credit,³ and issues with the wait were well known for a long time before that.

Despite repeated calls, successive Communities Ministers have made negligible progress on fixing these issues. UC claimants don't have any more time to wait.

The five-week wait is forcing local claimants to go hungry, live in cold homes and take on debt. In some cases, it is even driving them into the hands of paramilitary money lenders. This cruel system is wrecking lives and urgent action is needed to fix it. If it is to be worth anything, the social security system must provide a safety net *at the point that people need help* – rather than letting them fall, without financial support, for five weeks.

Alliance has consistently worked to end the callous approach to welfare reform and to protect people in Northern Ireland from its impact. This paper continues that work – setting out a series of policy proposals to address the five-week wait in Universal Credit.

In the short-to-medium term, our ideas are designed to mitigate the worst effects of the five-week wait – ensuring that claimants can afford the essentials they need and aren't locked into a cycle of debt from the beginning of their UC journey.

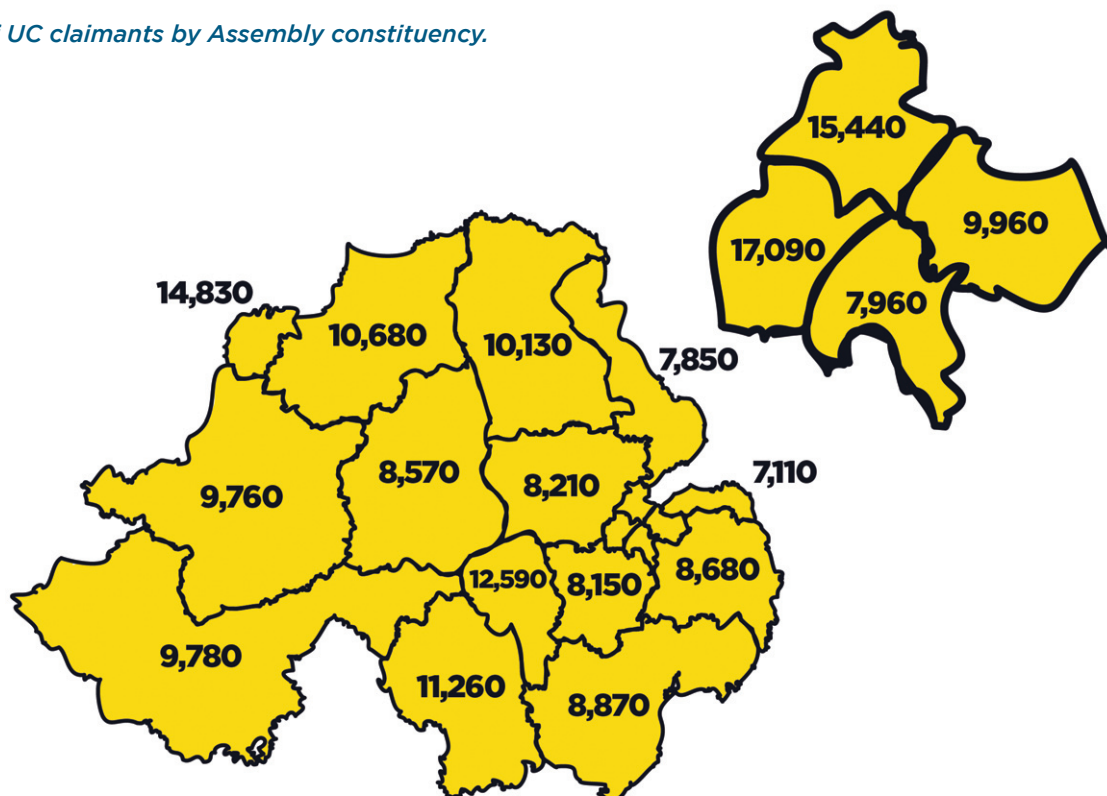
In the longer-term, our proposals seek to eradicate the waiting period as far as possible for as many new claimants as possible, so that people within the UC system in Northern Ireland are no longer plunged into poverty and hardship by a five-week delay to their first payment.

1 Department for Communities (2024). Universal Credit statistics – May 2024.

2 Ibid.

3 Expert Panel Report (2022). Independent review of welfare mitigations Northern Ireland.

Map of UC claimants by Assembly constituency.



WHY DO PEOPLE FACE A FIVE-WEEK WAIT FOR THEIR FIRST UNIVERSAL CREDIT PAYMENT?

The amount of money someone receives in Universal Credit depends on a range of factors – not only their age, the number of children they have and whether or not they’re living with an illness or disability, but, crucially, their monthly income. UC payments are made in monthly arrears and calculated based on their circumstances during the previous month – including any earnings or income from other sources like a pension or certain other benefits. These are known as ‘assessment periods’.

This means that, when a person first applies for Universal Credit or is moved onto the system from a legacy benefit, they have to wait for around four weeks for their income to be assessed. With additional time afterwards for their payment to be processed, this leaves people waiting for at least five weeks before they receive their first UC payment.

In a substantial minority of cases, verification delays, claim amendments and other issues may mean the wait is even longer – UK data shows that 1 in 8 new Universal Credit claims weren’t paid on time in January 2024.⁴ UC claimants in Northern Ireland have highlighted waits of 6–8 weeks for their first payments,⁵ and more widely, the Work and Pensions Select Committee previously heard evidence from people waiting for more than 11 weeks.⁶

Unsurprisingly, the impact of forcing people to wait so long for the financial support they need is pushing many UC claimants in Northern Ireland into poverty, debt and ill-health.

4 Department for Work and Pensions Stat-Xplore: Universal Credit statistics.

5 Patrick, R *et al* (2022). UC: Us now? Reflections from participatory research with Universal Credit claimants during COVID-19.

6 Work and Pensions Select Committee (2020). Universal Credit: The wait for a first payment.

IMPACT OF THE FIVE-WEEK WAIT

The Universal Credit five-week wait has been described as a design feature of the social security system that explicitly increases poverty.⁷ Officials in the Department for Communities openly acknowledge the challenges the wait causes to local claimants⁸, and the experiences reported in Alliance constituency offices, along with wider research, show that it is leaving people:

- **Going hungry** – the five-week wait is a driver of food bank use⁹ and over 50 percent of people receiving Universal Credit in Northern Ireland in February 2024 said they had run out of food and couldn't afford to buy more.¹⁰
- **Unable to make ends meet and facing destitution** – people are left struggling to afford their energy bills and other essentials, unable to cover the cost of travelling to health appointments, falling behind on mortgage or rent payments and even finding themselves at risk of homelessness.¹¹
- **Depleting their savings and taking on debt** – claimants report running up multiple forms of debt during the five-week wait,¹² including being forced to borrow money from friends and family, using high-interest payday lenders and, in the worse cases, turning to paramilitary groups and other illegal money lenders to get by.^{13, 14}
- **Experiencing mental ill-health** – including anxiety, panic attacks, stress and shame linked to the fear of the five-week wait and the hardship it causes.¹⁵

While the five-week wait causes misery to UC claimants across Northern Ireland, a number of groups may be particularly lacking in the financial resilience needed to get by.

1 People managing disruptive life events

Dealing with the five-week wait may be particularly difficult for those who have applied for Universal Credit after experiencing some sort of disruptive life event, such as losing their job, becoming ill, separating from a partner or leaving the criminal justice system. These experiences often leave people facing both reduced (or no) incomes and higher costs – for example, solicitor's fees or new housing costs after getting divorced; the cost of medical equipment to manage a new diagnosis or the additional travel to and from health appointments. People are being forced to wait weeks for their first payment when they have depleted or no financial resources to fall back on.



7 JRF (2023). UK poverty 2023.

8 Ibid, 3.

9 Women's Regional Consortium (2020). The impact of Universal Credit on women.

10 Trussell Trust (2024). Emergency food parcel distribution in Northern Ireland: 1 April 2023 to 31 March 2024.

11 Trussell Trust (2019). Five weeks too long: Why we need to end the wait for Universal Credit.

12 Simpson, M *et al* (2023). Response to Department for Communities budget 2023–24 Equality Impact Assessment.

13 Ibid, 9.

14 Simpson, M *et al* (2020). Written evidence to Work and Pensions Select Committee inquiry on the Universal Credit five-week wait.

15 TUC (2020). Universal Credit and the five-week wait for payment.

2 Parents

Parents make up more than 50 percent of UC claimants in Northern Ireland¹⁶ and their financial wellbeing is heavily shaped by factors that don't impact on other groups – particularly childcare costs and reduced employment opportunities arising from the need to combine work and childcare. The latter issue may be especially problematic for single or separated parents.¹⁷

While new Universal Credit claimants can get a two-week run-on of some legacy benefits to help tide them over while their first UC payment is processed, this doesn't apply to Child Tax Credit. Some parents are therefore left trying to meet the extra cost of raising children while going the full five weeks without any sort of social security payment and limited alternative sources of income.

The five-week wait also means that those who depend on childcare to be able to go to work suffer a lag between paying the provider's fees and receiving their first UC payment. In this scenario, parents may face the choice between giving up work or taking on debt so that they can afford their childcare bills.

3 Those with low/no savings and pre-existing debt

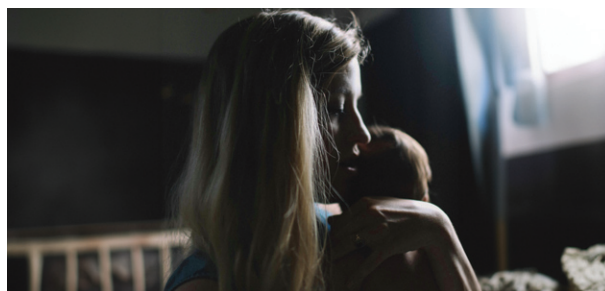
Research has indicated that a substantial proportion of people moving onto Universal Credit have both insufficient savings to make it through the five-week wait and existing debt that makes the period even harder to manage.¹⁸

“The five-week wait is the primary cause of insecurity in Universal Credit. It entrenches debt, increases poverty and harms vulnerable groups disproportionately.”

– House of Lords Economic Affairs Committee¹⁹

While new claimants can mitigate the wait for their first payment by receiving an advance, this comes in the form of a loan that must be paid back – via deductions in their UC payments – over a period of up to 24 months. In 2024, the average advance for Universal Credit claimants in Northern Ireland was over **£680**²⁴, and repaying such a significant amount only reduces already low incomes and leaves many without enough money to live on and stuck in a cycle of debt.

The repayments are not subject to the same affordability assessments expected in the likes of consumer credit markets.²⁰ Foodbank providers in Northern Ireland have drawn a direct link between food insecurity and UC advance payments,²¹ and wider research has shown that these types of deductions are a driver of destitution among claimants²² and cause a substantial number to go without essentials.²³



16 Ibid, 1.

17 Abrdn Financial Fairness Trust (2023). The impact of financial hardship on single and separated parents in Northern Ireland.

18 Policy in Practice (2019). Financial resilience and the transition to Universal Credit.

19 House of Lords Economic Affairs Committee (2020). Universal Credit isn't working: Proposals for reform.

20 Work and Pensions Select Committee (2022). The cost of living.

21 McKeever, G (2022). Independent review of Discretionary Support.

22 JRF (2023). Destitution in the UK 2023.

23 JRF and Trussell Trust (2024). A protected minimum floor in Universal Credit.

Since Universal Credit was introduced in Northern Ireland, over **100,000** households have taken out an advance payment. Alliance is deeply concerned that many of these claimants are not being made aware of the risks of taking an advance payment – they are immediate-term ‘fixes’ which, in many cases, simply kick the financial crisis slightly further down the road.

“[UC advance repayments] reduce already low incomes and increase households’ risk of accruing further debt.”

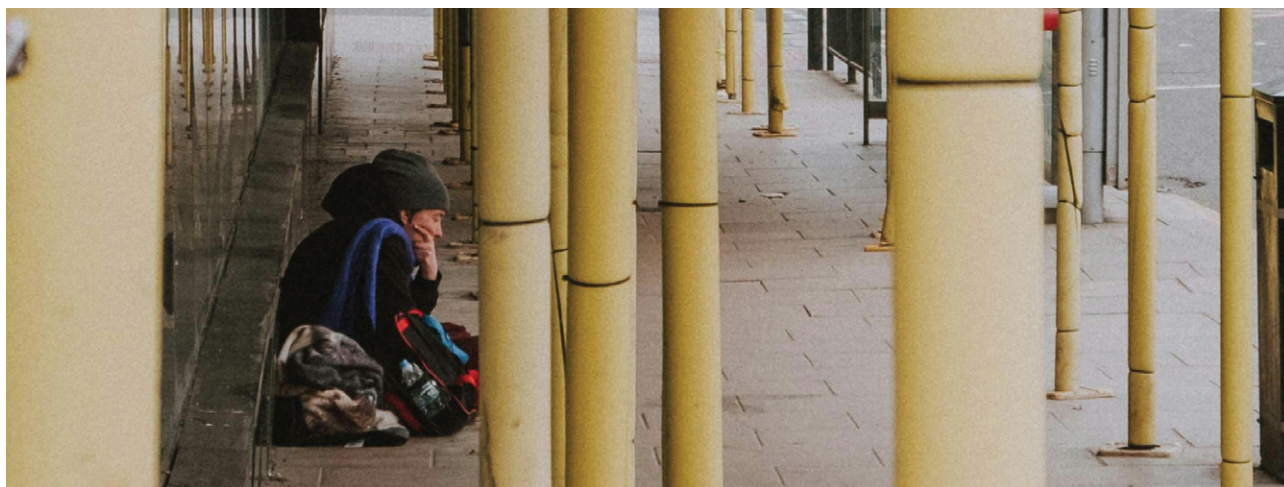
– National Audit Office²⁵

“The five-week wait all too often triggers a ‘domino effect’ of debt and financial hardship that negatively affects lives and mental health for many months.”

– UC:Us Northern Ireland

Alternative support is available from the Universal Credit Contingency Fund (UCCF), which provides short-term non-repayable grants to help claimants meet essential living costs if they are in financial difficulty while waiting for their first UC payment. The UCCF is undoubtedly a helpful tool, but there are important flaws with the system, namely:

- **The eligibility criteria are narrow** – the fund is only available to those facing destitution or an extreme financial crisis, leaving claimants who are just outside of that threshold ineligible for support.
- **Many UC claimants are not aware of the Contingency Fund** – much of the information about the UCCF is currently hosted online and is not accessible to many UC claimants. As a result, many take on a damaging advance payment instead or simply go without any financial support during the five-week wait.
- **The name of the Contingency Fund is confusing** – the name does not make the purpose of the fund clear or indicate to people that it takes the form of non-repayable grants.
- **Receiving help from the UCCF impacts on a person’s eligibility for further Discretionary Support grants** – these grants provide additional help for those experiencing financial crisis and advocates have argued that the UC Contingency Fund should be treated separately to them.²⁶



24 Ibid, 1.

25 National Audit Office (2020). Universal Credit: Getting to first payment.

26 Ibid, 21.

POLICY MEASURES TO ADDRESS THE UNIVERSAL CREDIT FIVE-WEEK WAIT

Alliance wants to end the damaging impact of welfare reform on people in Northern Ireland and believe that addressing the five-week wait in Universal Credit is a vital mission that has been neglected by successive Communities Ministers for far too long. We are proposing a suite of measures to address the five-week wait and ensure local claimants are no longer forced to go hungry, live in cold homes, take on debt or end up in the grips of paramilitary money lenders as a result of the wait.

In the short-term, Alliance calls on the Department for Communities to deliver the following measures to help mitigate some of the worst impacts of the five-week wait.

- ***Make the Universal Credit Contingency Fund (UCCF) the first source of support offered to new claimants who are struggling financially and refer all claimants for independent advice before they take on an advance payment.***

This will ensure that, as far as possible, claimants receive financial support that does not push them into a damaging cycle of debt; and are fully informed about the potential risks and repayment terms if they do take on an advance payment.

- ***Increase the UCCF budget to at least £6m per year and amend regulations so that:***
 - Eligibility is widened to include more claimants who are struggling with the five-week wait – including those with low levels of savings, pre-existing debts and children; and
 - Receipt of a UCCF grant does not impact on eligibility for Discretionary Support.

- ***Rename and publicise the UC Contingency Fund.***

The renaming of the UCCF should be expediated to better reflect its purpose and DfC should also deliver an awareness raising campaign – including television advertisements – to promote the Fund, with particular focus on the places and spaces occupied by different claimant groups.

- ***Increase the UC advance repayment term to 36 months and set a minimum floor below which a claimant's income cannot fall due to deductions.***

These measures will make advance repayments more affordable and ensure that deductions never leave UC claimants unable to afford daily living essentials like food, energy, clothing and housing costs. The floor could be evaluated annually in line with inflation and updated in guidance, without the need for legislative intervention or regulation.²⁷



²⁷ This sort of flexibility with deductions is already happening in practice. While DWP regulations state that up to 40% of a person's UC Standard Allowance can be deducted to repay debts, subsequent guidance has set this at the lower rate of 25%. For example, see: <https://www.gov.uk/guidance/find-out-about-money-taken-off-your-universal-credit-payment>.

In the medium-to-longer-term, Alliance is calling on DfC and the Department for Work and Pensions to work together to deliver the following policies to eradicate the five-week wait for initial Universal Credit payments as far as possible, for as many new claimants as possible.

- ***Introduce a two-week run-on of Child Tax Credit for those moving onto Universal Credit.***

The existing system of run-ons explicitly excludes support for children, and with nearly 1 in 4 children in Northern Ireland living in poverty,²⁸ and parents making up over 50 percent of UC claimants here²⁹, this represents a significant gap in support.

- ***Use the month **before** a person's claim for Universal Credit for their initial assessment period in order to provide a much quicker first payment for some eligible claimants.***

'Backdating' the first assessment period in this way would give some eligible claimants much faster, in some cases even immediate, access to a payment, provided they hadn't earned too much in the previous month. It avoids the need for people to take an advance and risk falling into a cycle of debt, and is an approach supported by expert stakeholders including IPPR³⁰, the Joseph Rowntree Foundation³¹ and Policy in Practice.³² While this reform would require temporarily suspending UC conditionality (such as work search requirements) for the backdated assessment period, Alliance believes that is a reasonable price to pay to help avoid the poverty caused by the five-week wait.



28 Department for Communities (2024). Northern Ireland poverty and income inequality report 2022–23.

29 Ibid, 1.

30 IPPR (2024). Snakes and ladders: Tackling precarity in social security and employment support.

31 JRF (2019). We need to end the five-week wait for Universal Credit: Here's how.

32 Policy in Practice (2017). Universal Credit: Options to smooth the implementation for claimants.

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