Completing the Move to Universal Credit

Our 2022-24 strategy for implementing the final phase of Universal Credit

April 2022

Summary

Since first being introduced in 2013, Universal Credit (UC) has streamlined and simplified the benefits system to better support those in work on low incomes, as well as those who are unemployed or who cannot work. By improving work incentives and support, UC helped deliver the highest ever level of employment seen in this country just before COVID hit. A dynamic benefit that reflects people's needs from month to month, UC successfully supported millions of people and processed a ten-fold surge in claims during the pandemic, when legacy systems would have collapsed.

In March 2020, work was paused on moving those claiming legacy benefits[1] ("legacy claimants") to UC - known as managed migration - to focus on our response to the pandemic. Informed by learnings from our initial pilot and throughout the pandemic, the Department for Work and Pensions (DWP) will resume the roll out and complete the implementation of UC by 2024.

We will complete the implementation of UC with a three-track approach – natural migration, voluntary migration ("choose to move") and managed migration.

Natural migration has been in place since the introduction of UC. If claimants experience a change in circumstances while on legacy benefits which previously required a new claim to another legacy benefit replaced by UC, they will need to make a claim to UC. They would then naturally migrate to UC and any legacy claim will be closed. Legacy claimants can also choose to move by making a claim for UC (and by default closing their legacy claim) but should only do this if they think they will be better off on UC.

We want to encourage people who could be better off financially to consider moving to UC. We estimate more than half of current claimants will be better off. In this document, we set out our modelled analysis on estimated benefit entitlements and employment outcomes between UC and legacy benefits, including the types and numbers of claimants who could benefit financially by moving to UC.

We set out examples of claimants' circumstances for those likely to have lower or higher UC entitlements than they receive now with illustrative case studies. With work at the heart of UC, we also include some case studies showing how claimants can increase their disposable income by entering or extending work. We are mindful that working tax credit recipients would no longer be constrained by the 16-hour cliff edge.

To further support claimants in making an informed choice about moving to UC a range of information is available. This includes factual information on the 'Understanding Universal Credit' homepage, impartial advice from

[1] Legacy benefits for the purposes of this document comprise working tax credits, child tax credits, housing benefit, employment and support allowance, income support and jobseeker's allowance.

independent organisations, and independent benefit calculators which allow claimants to get an indicative estimate of what their UC award might be. At a minimum, claimants should consider the following before choosing to move to UC:

- ✓ Check that you are eligible to claim Universal Credit; Search 'Universal Credit eligibility gov.uk' to find out more.
- ✓ Check your savings. Anyone with over £16,000 in savings or capital is not eligible for Universal Credit and should not apply. If you or your partner have over £6,000 in savings or capital, your UC payments will be lower.
- ✓ Check how UC recovers any outstanding debts you may have. Search 'debt and deductions gov.uk' to find out more.
- ✓ Use one of the independent benefit calculators to see if your entitlement to Universal Credit could be higher than the money the government pays you now. Search, 'benefit calculator gov.uk' to find out more.

For those claimants who do not choose to move and have not migrated naturally following a change of circumstance, we will need to manage their migration to UC. Managed migration is a significant undertaking and requires the department to design and build an end to end service that safely supports claimants to make the Move to UC. This includes being able to confidently identify and contact eligible claimants, appropriately support claimants through their claim and accurately calculate transitional protection for eligible claimants, to ensure their entitlement on UC at the point of managed transition is not below that of legacy benefits.

Our Move to UC journey so far

Before the pandemic, the department was running a Move to UC pilot, based in Harrogate. The purpose of the pilot was to test and evaluate the products and processes required to enable the department to move claimants from legacy benefits to UC. The pilot was paused in 2020 as the department prioritised the handling of a significant increase in new claims for Universal Credit in response to the Covid pandemic.

Before it was paused, the pilot service had engaged with a number of claimants known to the Harrogate job centre and had explored:

- how claimants respond to a notice to migrate to UC;
- the processes and tools required by staff to calculate transitional protection; and
- an early observation that a small number of claimants may be willing and able to take the step to self serve and make a claim to UC but that most claimants will need support in order to achieve this.

Because of the demand the pandemic generated in new claims to UC, we now know more about our ability to scale processes to handle claims.

2022-24 Move to UC Strategy

Learning from how UC has operated during the pandemic and from key insights in the Harrogate pilot, we have revised our strategy for the migration of approximately 2.6 million households from legacy benefits and tax credits to UC by 2024. We still need to finalise our approach, particularly for managed migration, and will undertake further work in some parts of the country, learning what support different claimants are likely to need in order to make a successful claim for UC.

Our strategy has three “tracks” of migration – natural, voluntary and managed.

Natural migration

As has been the case since the start of UC rollout, when a legacy claimant experiences a change in circumstances (e.g. a change in employment status or family situation), they need to make a new claim for a benefit that UC has replaced and they will “naturally” migrate to UC. Covid-related easements that were in place for working tax credit recipients have now been removed and we expect natural migration to continue at a steady rate going forward.

Voluntary migration

Legacy claimants can choose themselves to voluntarily move across to UC. Our modelled estimates suggest that around 1.4 million households could be better off by moving to UC straightaway. We set out later our methodology and assumptions on how we have developed these estimates.

The complexity of the legacy benefits system means it can be difficult for people to see and compare their overall entitlements. We want to help claimants make an informed choice themselves about whether to move voluntarily. This includes looking at different ways to provide information to legacy benefit claimants. For example, by signposting them to independent benefit calculators, independent welfare advice and through a communications campaign to raise awareness and tackle misperceptions.

This approach is about making sure that those who stand to see a higher entitlement have the opportunity to move sooner rather than later, while simultaneously making sure those who may have a lower UC award wait for managed migration when they may be eligible for transitional protection so they retain the same entitlement at the point they move. People who choose to move voluntarily are not entitled to transitional protection which is why it is important that claimants have confidence they are making an informed choice. Once an application is made to move to UC, there is no reverting to previous benefits.

Managed migration

For those claimants who do not choose to migrate voluntarily nor have migrated naturally, we will need to manage their migration to UC.

Underpinning managed migration is our commitment to transitional financial protection to ensure that eligible households we move to UC do not have a lower award on UC at the point we move them if their UC entitlement is lower than their entitlement on legacy benefits.

We recognise that claimants' confidence, experience and trust in the benefit system will vary. That is why the managed migration track will also be underpinned by a customer-focused approach with effective processes and systems to move people across safely.

There are several key tasks to focus on to start managed migration:

i. gathering data on the different circumstances of legacy benefits' claimants;
ii. designing the processes and tools to calculate both UC entitlement and transitional protection (where applicable), then paying the correct award;
iii. assessing and providing the different levels of support required to make a successful claim;
iv. considering how best to notify claimants about their move; and,
v. understanding the different challenges claimants may face after making their claim to UC and the support they need.

Work to design the managed migration process resumed this January. We will soon start moving small numbers of legacy claimants on to UC, with a focus on refining the processes and systems for doing so to support our claimants as effectively as possible.

Optimising our support for claimants in moving to UC will be a critical part of the managed migration process. The department will work closely with our stakeholder groups throughout this work to monitor and understand what support is required and what works bests for claimants. We expect that finalising our approach will take several months before we start scaling the managed migration process in earnest, to be completed by 2024.

Transitional Protection

Parliament legislated to introduce UC and for the end of legacy benefits, including tax credits. When passing this legislation, Parliament also committed to providing transitional financial protection for those who are moved onto UC through the managed migration process. Transitional protection does not apply to those who naturally or voluntarily migrate.

This means those eligible households with a lower calculated award in UC than their legacy benefits awards will see no difference in their entitlement at the point they are moved to UC, provided there is no change in their circumstances during the migration process. The transitional protection element will erode over time with increases in UC elements - excluding the childcare costs element - and will stop with certain changes of circumstances.

The Government has also provided additional protection for those who had a change in circumstance and have been receiving Severe Disability Premium.

In addition, all new claimants and those migrating from tax credits who are gainfully self-employed will be eligible for a 12-month start-up grace period before the Minimum Income Floor applies, to help them grow their business.

Will I have a higher or lower UC entitlement than I receive now?

Types of claimant that might see a <u>higher</u> entitlement under UC include:

- Employment and Support Allowance (ESA) Support Group <u>who are not in receipt</u> of the Severe Disability Premium;
- In-work households receiving Housing Benefit only or Working Tax Credit and Housing Benefit (likely to have higher entitlements under UC as the earnings taper rules are more generous);
- People who do not work enough hours to receive Working Tax Credit; and
- Households who are not currently claiming all the legacy benefits they are entitled to.

Types of claimant that might see a <u>lower</u> entitlement under UC (and therefore likely to be eligible for transitional protection if they are moved through the managed migration process) include:

- Households in receipt of Employment and Support Allowance (ESA) who <u>are in receipt</u> of the Severe Disability Premium and Enhanced Disability Premium
- Households with the lower disabled child addition on legacy benefits;
- Self-employed households who are subject to the Minimum Income Floor, after the 12 month grace period has ended.
- In-work households that worked a specific number of hours (e.g. lone parent working 16 hours claiming Working Tax Credits), which discouraged progression in the labour market. This was not good for employees, but it also caused problems for employers, limiting their scope to design jobs to fit their business rather than the incentives created by the welfare system; and
- Households receiving tax credits with savings of more than £6,000 (and up to £16,000) - UC entitlement is reduced in a different calculation to tax credits (households with savings of more than £16,000 are not normally eligible for UC).

Case Studies 1 to 10 in the Annex provide examples of such households.

Further information to support decision on voluntary migration to UC

A range of information is available to inform decisions about whether to make a voluntary move to UC. This includes the Understanding Universal Credit webpage on GOV.UK.

It is important to remember that once a new claim to UC is made, households cannot go back to their previous benefits. If an individual's circumstances would mean their Universal Credit payments would be less than what they currently receive in benefits, they should wait to be moved by DWP. This is because transitional protection is only available through managed migration, as outlined above.

Estimating entitlement analysis[2]

Of the 2.6 million households remaining on legacy benefits in April 2022, should they choose to claim UC today, we estimate around 1.4 million (55%) would have a higher entitlement on UC, 300,000 would see no change and approximately 900,000 households (35%) would have a lower entitlement.

Table 1: Estimates of UC entitlements by hierarchical legacy benefit type[3] – legacy caseload in April-22 (including the impact of changes to the taper rate and work allowances from the 2021 Budget)[4]

	Higher Entitlement	No Change	Lower Entitlement (before protections)	Total
JSA	<50,000	<50,000	<50,000	100,000
ESA	600,000	100,000	500,000	1,200,000
IS	<50,000	100,000	<50,000	200,000
Tax Credits	700,000	<50,000	300,000	1,000,000
HB only	100,000	<50,000	<50,000	100,000
Mixed Age Couples	<50,000	<50,000	<50,000	<50,000
Total	**1,400,000**	**300,000**	**900,000**	**2,600,000**
% of total	**55%**	**10%**	**35%**	

Of the 900,000 with a lower entitlement, we estimate (in **Table 2** below) that approximately 600,000 households will receive transitional protection through managed migration, while others will either leave benefits, migrate naturally before DWP asks them to move or receive a severe disability transitional payment.

[2] Using 19/20 Family Resources Survey data

[3] This analysis is presented in a hierarchy to avoid double counting. This means for those households in receipt of more than one legacy benefit they are included in the first row of the table in which they are in receipt of that benefit. For instance a household in receipt of JSA, Tax Credits and Housing Benefit would be classified as 'JSA' and a household in receipt of Tax Credits and Housing Benefit would be described as 'Tax Credits'

[4] Due to sample size constraints, numbers are rounded to nearest 100,000 and where they are less than 50,000 this is indicated. Totals may not sum due to rounding.

Table 2: Estimates of number of households with a lower entitlement and number to receive protections by hierarchical legacy benefit type.

	Naturally migrate	Leave benefit	SDP protection	Receive Transitional protection	Total
JSA	<50,000	<50,000	<50,000	<50,000	<50,000
ESA	<50,000	<50,000	<50,000	400,000	500,000
IS	<50,000	<50,000	<50,000	<50,000	<50,000
Tax Credits	100,000	100,000	<50,000	100,000	300,000
HB only	<50,000	<50,000	<50,000	<50,000	50,000
Mixed Age Couples	<50,000	<50,000	<50,000	<50,000	<50,000
Total	**100,000**	**200,000**	<50,000	**600,000**	**900,000**

In Table 3 below, we have considered how Universal Credit as a whole compares to what households would have been entitled to if all claimants had remained on legacy benefits or tax credits. This 'steady state' analysis was originally produced in 2012 and this analysis is an update of that work incorporating the various policy changes which have been made.

Table 3: Estimated change in notional household entitlements by hierarchical legacy benefit type (steady state - once UC is fully rolled out)

	Higher Notional Entitlement	No Change	Lower Notional Entitlement (before protections)	Total
No legacy equivalent	600,000	0	0	600,000
JSA	<50,000	500,000	100,000	600,000
ESA	1,000,000	300,000	1,000,000	2,200,000
IS	100,000	400,000	200,000	600,000
Tax Credits	1,800,000	<50,000	800,000	2,700,000
HB only	300,000	100,000	100,000	400,000
Mixed Age Couples	<50,000	<50,000	<50,000	<50,000
Total	**3,800,000**	**1,200,000**	**2,200,000**	**7,200,000**
	53%	**17%**	**30%**	
Overall 2012 Impact Assessment	***37%***	***29%***	***34%***	

We estimate 3.8 million households (53%) have a higher notional entitlement on UC, 1.2 million (17%) have no change and around 2.2 million (30%) are estimated to have a lower notional entitlement before any protections are applied. This is a notable increase in the proportion of households with higher notional entitlement since 2012.

It is important to highlight that the majority of individual households on UC are unlikely to have had the same underlying circumstances that they had when under the legacy benefits or tax credits system and the analysis does not take account of any protections received for those moving from legacy benefits. Therefore, while this ‘steady state’ analysis is important in comparing the two systems at an aggregate level, for individual households these are likely to be theoretical or ‘notional’ changes in entitlement rather than a direct cash gain or loss.

Also, the fundamental change to the system means there are a range of impacts on notional household entitlements. Eligible households with a lower calculated award in UC than their legacy benefits will be eligible for Transitional Protection if moved to UC under the managed migration track, so they would see no difference in their entitlement at the point they move to UC.

How UC helps people move into work and progress, by keeping more of what you earn

Following changes to the way that UC works people can now keep more of what they earn, as they increase their wages thanks to an eight percentage point cut to the earnings taper rate and a £500 a year increase in the work allowance (the amount eligible claimants can earn before the taper is applied). As a result of the reduction in the taper rate and increase in the work allowance, we estimate nearly two million working households will, on average, be around £1,000 a year better off. Being on Universal Credit also opens up tailored support from work coaches to help get into and progress in work, using the full toolkit of Plan for Jobs.

Case Studies 11 to 13 set out in the Annex below show how certain claimants might utilise the improved work incentives to enter and progress in work and increase their disposable incomes.

Out of work claimants are more likely to move into work on UC compared to JSA. Having previously published three studies showing that UC gets people into work quicker compared to the legacy system, our fourth analysis of the final cohort drawn from 2018 as UC new claims rollout completed shows UC again out-performing the legacy system in terms of employment outcomes (summary set out in **table 4**).

Table 4 – Comparison of employment outcomes between single JSA claimants and UC claimants (unpublished data – not in the public domain)

Time after claim	**Difference in Employment Rate** (UC-JSA)
3 months	3 percentage points
6 months	2 percentage points
9 months	2 percentage points

Annex 1: Case Studies

Illustrative Case Studies on awards (A) and examples of how UC supports people to increase their income through work (B)

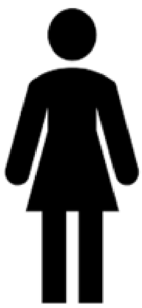
A. Illustrative Case Studies on awards

Households may have a higher or lower entitlement under Universal Credit compared to legacy benefits. Case studies 1 to 10 provide some illustrative examples based on a number of assumptions around the characteristics of the household. Any hours of childcare required are assumed to be provided free of charge through DfE offers or by family/friends (unless stated). Amounts are rounded to nearest £10 per month and therefore totals may not sum.

Case studies 1 to 5 provide examples of households who could be better off on UC now. Case studies 6 to 10 illustrate households who could benefit from waiting to move to UC via managed migration. In those examples where the household has a lower entitlement, transitional protection would be applied if a household moved through the managed migration process, but not if the household made a voluntary move or naturally migrates as a result of a change of circumstance.

Case study 1 – ESA Support Group with no Severe Disability Premium

- Claimant claiming only Employment and Support Allowance whilst on legacy benefits.
- E.g. Single claimant, over 25, with no children and no housing, no caring responsibilities, no deductions & no capital.
- They are not in work so have monthly net earnings of £0.
- They receive the Limited Capability for Work Related Activity (LCWRA) element on UC and the Support Group and Enhanced Disability Premium (EDP) payments on ESA.



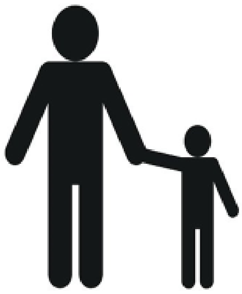
They see an increase in UC award because the LCWRA rate on UC is higher than the combination of the Support Group rate and EDP rate in ESA.

Monthly amounts		Net Earnings	Benefit Award	Child Benefit	Net Income	*Increase in monthly award on UC by..*
Case Study 1	Legacy Amount	£ -	£590	£ -	£590	***£100***
	UC Amount	£ -	£690	£ -	£690	

Case study 2 – Lone Parent In Work with Housing Costs and Childcare

- Household claiming Working Tax Credit, Child Tax Credit and Housing Benefit whilst on legacy benefits.
- E.g. Lone Parent, over 25, with 1 child born after 6th April 2017, no disability, no deductions & no capital.
- They work 35 hours/week at the National Living Wage (£9.50), so have monthly net earnings of £1280.
- They have childcare costs of £600/month.
- They have housing costs of around £120/week.

They have an increase because of the single taper rate on UC compared to the separate taper rates in Housing Benefit and Tax Credits. UC also covers a more generous amount of childcare costs.

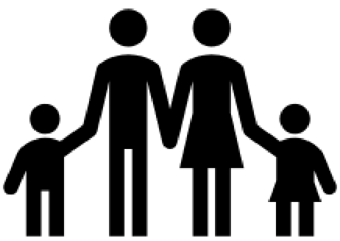


Monthly amounts		Net Earnings	Benefit Award	Child Benefit	Net Income	*Increase in monthly award on UC by…*
Case Study 2	Legacy Amount	£1,280	£920	£90	£2,290	***£180***
	UC Amount	£1,280	£1,100	£90	£2,470	

Case study 3 – Couple In Work with Housing Costs (In London)

- Household claiming Working Tax Credit, Child Tax Credit and Housing Benefit whilst on legacy benefits.
- E.g. Couple, over 25, with 2 children born before 6th April 2017, no disability, no childcare costs, no deductions & no capital.
- One member of the household works 35 hours/week at the National Living Wage (£9.50), so have monthly net earnings of £1280.
- They have housing costs of around £200/week.

They have an increase because of the single taper rate on UC compared to the separate taper rates in Housing Benefit and Tax Credits.



Monthly amounts		Net Earnings	Benefit Award	Child Benefit	Net Income	*Increase in monthly award on UC by…*
Case Study 3	Legacy Amount	£1,280	£1,120	£160	£2,540	***£310***
	UC Amount	£1,280	£1,410	£160	£2,850	

Case study 4 – Works less than 16 Hours (Ineligible for WTC and JSA)

- Household claiming Child Tax Credit and Housing Benefits whilst on legacy benefits.
- E.g. Lone parent, over 25, working 12 hours, with 1 child born before 6th April 2017, no disability, no childcare costs, no deductions & no capital.
- They work 12 hours/week at the National Living Wage (£9.50), so have monthly net earnings of £500.
- They have housing costs of around £120/week.

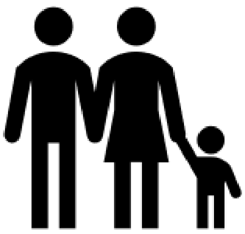
They have an increase in award because UC provides additional support for these claimants who would not have been eligible for Working Tax Credit because they were working fewer than 16 hours and not eligible for JSA because their earnings are too high.

Monthly amounts		Net Earnings	Benefit Award	Child Benefit	Net Income	*Increase in monthly award on UC by…*
Case Study 4	Legacy Amount	£500	£810	£90	£1,400	***£250***
	UC Amount	£500	£1,060	£90	£1,650	

Case study 5 – Not Taking Up Full Entitlement on Legacy Benefits

- Household could claim Housing Benefit in the legacy system but are not claiming due to being unaware of eligibility. Therefore, only claim Working Tax Credits and Child Tax Credits.
- E.g. Couple, over 25 with 1 child & average housing costs, no disability, no childcare, no deductions & no capital.
- One member of the couple works 35 hours/week at the National Living Wage (£9.50), so have monthly net earnings of £1280.
- They have housing costs of around £120/week.

They see an increase in UC because the integrated nature of UC ensures they receive each element they are entitled too.

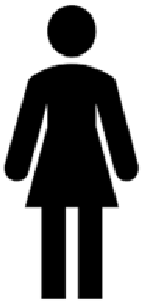


Monthly amounts		Net Earnings	Benefit Award	Child Benefit	Net Income	*Increase in monthly award on UC by…*
Case Study 5	Legacy Amount	£1,280	£350	£90	£1,720	***£480***
	UC Amount	£1,280	£820	£90	£2,200	

Case study 6 – ESA Support Group claimant with SDP and EDP

- Household receives the Limited Capability for Work Related Activity (LCWRA) element on UC. On ESA they receive the Support Group, Severe Disability Premium (SDP) and Enhanced Disability Premium (EDP) payments.
- E.g. Single claimant, over 25, with LCWRA, no children, no housing costs, no caring responsibilities, no deductions & no capital.
- They are not in work so have monthly net earnings of £0.

If they do not experience a change of circumstances and are part of the Move to UC process, they would receive Transitional Protection in order to top up their UC award to ensure they do not receive less on UC at the point they move. SDP claimants who voluntarily move to UC or have a change of circumstances can receive the SDP transitional element on UC if they would still have been eligible for SDP.



Monthly amounts		Net Earnings	Benefit before premium	SDP	EDP	SDP Transitional Element/ Transitional Protection	Net Income	*Difference in UC and legacy awards...*
Case Study 6	Legacy Amount	£ -	£510	£300	£80	N/A	£890	***N/A***
	UC Amount *(Voluntary Migration)*	£ -	£690	N/A	N/A	£120 (SDP Transitional Element)	£810	***-£70***
	UC Amount *(Managed Migration)*	£ -	£690	N/A	N/A	£200 (Transitional Protection)	£890	***£0***

Case study 7 – Claimant with a disabled child addition at the lower rate

- Household claiming Jobseeker's Allowance and Child Tax Credits whilst on legacy benefits.
- E.g. Lone parent, over 25 with 1 disabled child born before 6th April 2017, no housing costs, no childcare costs, no deductions & no capital.
- They are not in work so have monthly net earnings of £0.
- Their child is eligible for the lower Disabled Child Addition on UC.

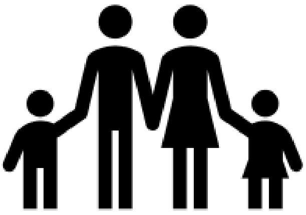
The Lower Disabled Child Addition in UC is lower than the Disabled Child Element in Tax Credits. TP is awarded to claimants moved by the department to ensure they don't have a lower entitlement at the point they Move to UC. Those that voluntarily Move to UC won't receive TP.

Monthly amounts		Net Earnings	Benefit Award	Transitional Protection	Child Benefit	Net Income	*Difference in UC and legacy awards...*
Case Study 7	Legacy Amount	£ -	£920	N/A	£90	£1,010	***N/A***
	UC Amount *(Voluntary Migration)*	£ -	£760	N/A	£90	£850	***-£160***
	UC Amount *(Managed Migration)*	£ -	£760	£160	£90	£1,010	***£0***

Case study 8 – Couple with Self Employed Earnings

- Household claiming Working Tax Credits and Child Tax Credits whilst on legacy benefits.
- E.g. Couple, over 25, 2 children, no housing costs, no disability, no childcare costs, no caring responsibilities, no deductions & no capital.
- One member of the household is self-employed, they work 25 hours/week and have net earnings of £500.
- For this household the Minimum Income Floor would be £1,280 as this is what the claimant would be expected to earn if they were working 35 hours at the NLW.

A household in these circumstances would initially receive a higher award once they had completed the move to UC because they get a 12 month start up period before the MIF applies to them. This applies irrespective of whether they move through voluntary or managed migration. After 12 months they would receive a lower award compared to their legacy benefits' entitlement unless they increase their hours of work.



Monthly amounts		Net earnings	Benefit Award	Child Benefit	Net Income	*Difference in monthly award on UC by…*
Case Study 8	Legacy Amount	£500	£880	£160	£1,540	***N/A***
	UC Amount *(Before MIF – Actual Earnings)*	£500	£1,060	£160	£1,720	***£180***
	UC Amount *(After MIF – Expected Earnings)*	£1,280	£670	£160	£1,330	***-£210***

Case study 9 – Lone Parent Working 16 Hours a Week (Eligible for WTC)

- Household claiming Working Tax Credits and Child Tax Credits whilst on legacy benefits.
- E.g. Lone Parent, over 25, 2 children, no housing costs, no disability, no childcare costs, no deductions & no capital.
- They are in work for 16 hours/week at the National Living Wage (£9.50), so have monthly net earnings of £660.

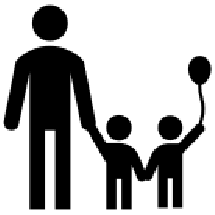
At 16 hours worked the household becomes eligible for Working Tax Credits which tops up their earnings whilst on low income. TP is awarded to claimants moved by the department to ensure they don't have a lower entitlement at the point they Move to UC. Those that voluntarily Move to UC won't receive TP.

Monthly amounts		Net earnings	Benefit Award	Transitional Protection	Child Benefit	Net Income	*Difference in UC and legacy awards…*
Case Study 9	Legacy Amount	£660	£850	N/A	£160	£1,660	***N/A***
	UC Amount *(Voluntary Migration)*	£620	£820	N/A	£160	£1,640	***-£20***
	UC Amount *(Managed Migration)*	£620	£820	£20	£160	£1,660	***£0***

Case study 10 – Claimant with £11,000 worth of capital savings

- Household claiming Working Tax Credits and Child Tax Credits whilst on legacy benefits.
- E.g. Lone parent, over 25, working 16 hours, with 2 children born before 6th April 2017, no housing costs, no disability & no childcare costs. Have declared £11,000 of capital savings in their claim
- They work 16 hours/week at the National Living Wage (£9.50), so have monthly net earnings of £660.

Universal Credit is reduced by £4.35 per month for each £250 of capital over £6,000 This means this claimant has a £90 reduction due to capital in addition to having a £20 lower entitlement meaning a £110 lower award in total. TP is awarded to claimants moved by the department to ensure they don't have a lower entitlement at the point they Move to UC. Those that voluntarily Move to UC won't receive TP.



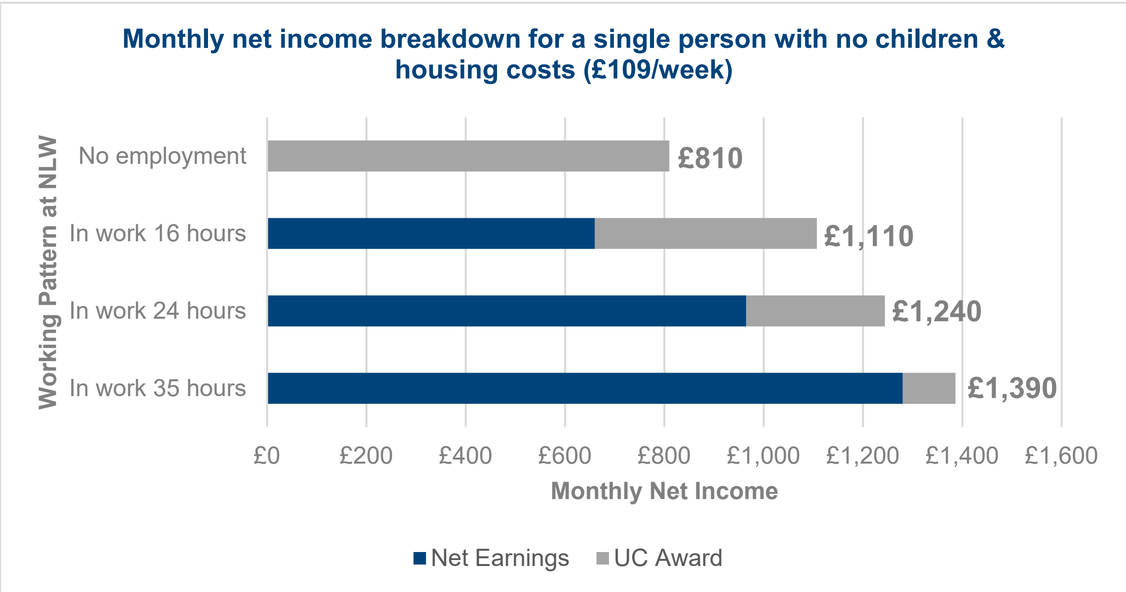
Monthly amounts		Net Earnings	Benefit Award	Transitional Protection	Child Benefit	Net Income	*Difference in UC and legacy awards...*
Case Study 10	Legacy Amount	£660	£850	N/A	£160	£1,660	***N/A***
	UC Amount *(Voluntary Migration)*	£660	£730	N/A	£160	£1,550	***-£110***
	UC Amount *(Managed Migration)*	£660	£730	£110	£160	£1,660	***£0***

B. Increasing income on UC through Work

As stated earlier in the document, Case Studies 11 to 13 below show how certain claimants might utilise the improved work incentives to enter and progress in work and increase their disposable incomes. This does not include any childcare or transport costs incurred.

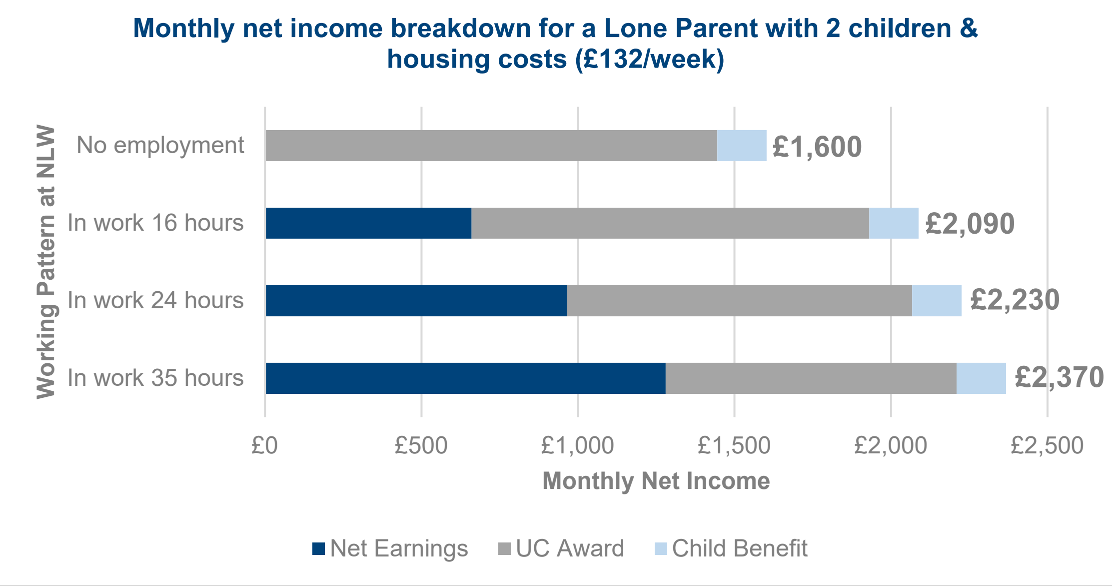
Case Study 11 – Single claimant with housing costs but no children on UC

- This scenario sets out a single claimant over 25 with housing costs of £109/week, no children, no disability, no caring responsibilities, no deductions & no capital.
- Whilst in work they work the specified number of hours/week at the NLW of £9.50/hour.



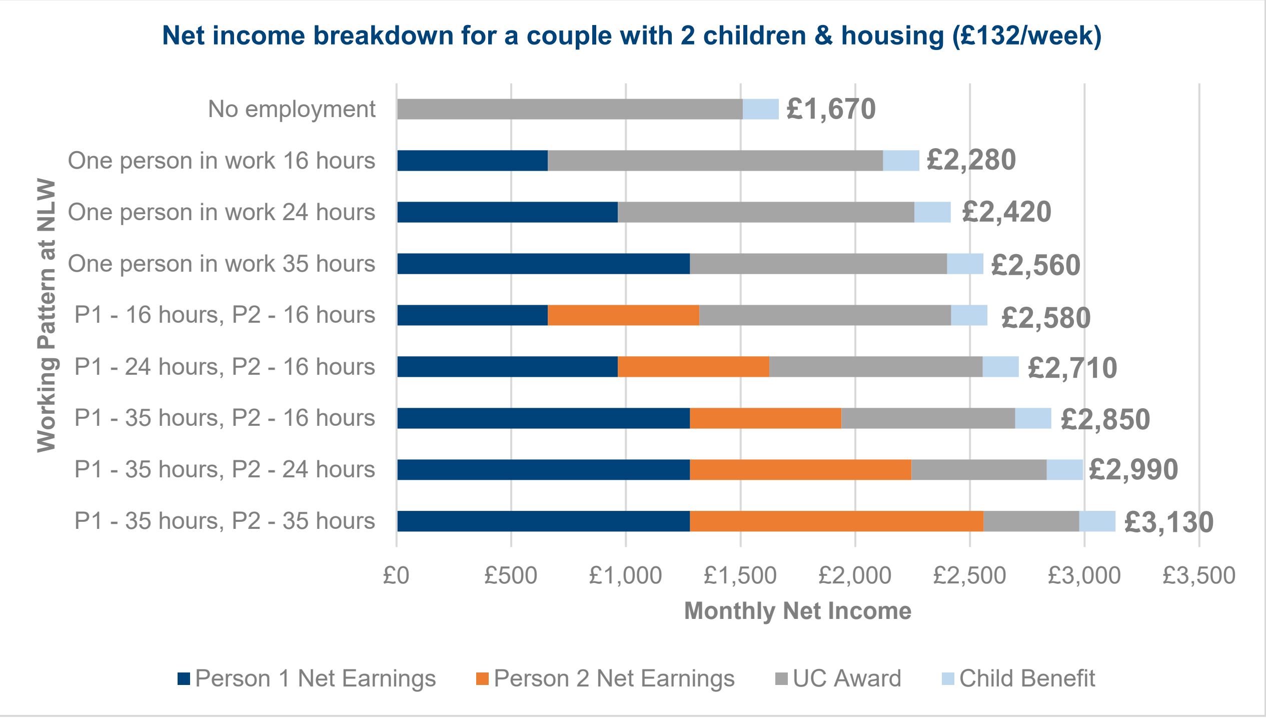
Case Study 12 – Single claimant with 2 children and housing costs on UC

- This scenario sets out a Lone Parent over 25 with 2 children and housing costs of £132/week, no disability, no caring responsibilities, no deductions & no capital.
- Whilst in work they work the specified number of hours/week at the NLW of £9.50/hour.



Case Study 13 – Couple with 2 children and housing costs on UC

- This scenario sets out a couple with 2 children and housing costs of £132/week, no disability, no caring responsibilities, no deductions & no capital.
- Whilst in work they work the specified number of hours/week at the NLW of £9.50/hour.



Annex 2: Detail on the methodology used in the document

This annex sets out some additional detail on how the estimates in the main publication were produced.

Tables 1-3 – Entitlement Analysis

The method for deriving notional higher and notional lower entitlements presented in Tables 1-3 compares Universal Credit (in line with current policy design and legislation) with the legacy system it replaces (in line with current policy design and legislation).

In addition, some households in the legacy system do not take-up all of the benefit they are entitled, to where they are entitled to more than one means-tested benefit. The integrated nature of UC may reasonably be assumed to increase take up and these effects are included here.

Tables 1 and 2 are based on a subset of the population who are currently in receipt of legacy benefits. The assessment of entitlement is made using the Department's Policy Simulation Model (PSM) which is based on the 2019/20 Family Resources Survey (FRS) and aligned to the Spring 2022 legacy and Universal Credit caseload forecasts. More detail on the Department's forecast methodology is outlined in the Welfare Trends Report – March 2021[5]. In addition to present estimates in April 2022 we align to the Department's monthly Legacy Rundown forecast Model.

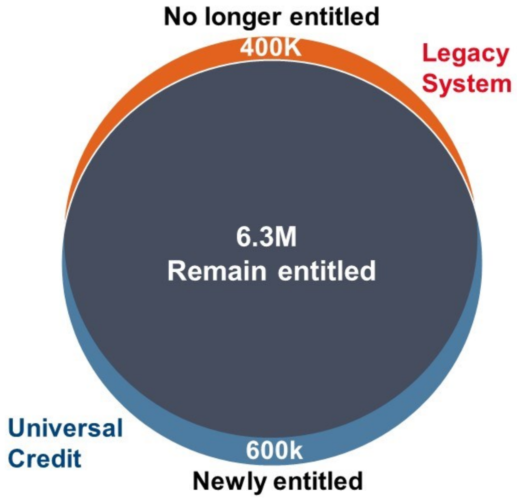
The calculation is made based on current household circumstances on legacy benefits and whether their UC entitlement would be higher or lower if they claimed UC under their current circumstances. However, many of these households will have change of circumstances which mean they claim UC. As in the legacy system they might receive a different amount of benefit due to the change in their circumstances.

Table 3 is based on a steady state comparison of the two systems when UC is fully rolled out, comparing those who would have been eligible for benefits under legacy, UC or both.

As a fundamental reform of the existing benefit system, we estimate that UC, in steady state, will result in around 600,000 households that were not entitled to a legacy benefit becoming newly eligible for benefits. These fall under the 'notionally higher entitlement' in the main publication. Similarly, we estimate there will be around 400,000 households who were able to claim some combination of legacy benefits but will not be entitled to UC. These are reflected in the 'notionally lower entitlement' categories. Taken together, the steady state analysis looks at the impact of UC on around 7.2 million households as detailed below.

[5] https://obr.uk/wtr/welfare-trends-report-march-2021/

Figure A1: Overlaps between the Legacy System and Universal Credit



A slightly older version of the PSM, (Spring Budget 2020 – based on FRS 2017/18) was used for steady state because it was the last time the Department's forecasting models were aligned to counterfactual[6] legacy benefit forecasts, so it was the most robust way to estimate steady state impacts.

As with Tables 1 and 2 estimates of change in entitlements in Table 3 are all notional. So, for example an individual who became eligible for UC in 2023 but had never claimed legacy benefits would be included, although they do not see a cash change in their entitlement.

The numbers presented are rounded to the nearest 100,000 and the percentages to the nearest 1 percent.

Limitations

The analysis is based on elements of the change to the UC system that can be reasonably assessed using the 2019/20 FRS. It does not include:

- **Debt, deductions, advances and Passported Benefits –** these estimates set out legacy system and UC entitlement without any deductions that are made from awards for debts, deductions and advances or any changes to receipt of Passported Benefits such as Free School Meals. The PSM estimates annual entitlements so does not include differences from month to month from claimants taking an advance and then paying it back or claimants paying back debts. The Department does not have a database or model that brings together all legacy household's actual legacy benefit receipts and debts to be able to calculate and include these which is why we use the PSM.

- **Fraud, error or overpayments** and any differences in these between UC and the legacy system. This is reasonable because we compare what claimants should receive on legacy and what they should receive on UC.

In addition, the analysis includes forecasts of demographic change. If these forecasts and forecasts of underlying household characteristics change it would change the number of those with higher and lower entitlements. Although the PSM is aligned to published UC and legacy benefit caseload forecasts many of the underlying characteristics of the households are based on the FRS sample. The FRS is a sample of 20,000 households which is scaled up to the UK population. So, some of the household characteristics will be subject to sampling error as with any sample. To reflect this uncertainty, we have rounded estimates to the nearest 100,000.

Definitions and terminology

The analysis is consistent with the Department's published forecasts, but it is presented differently. The analysis is presented in a legacy benefit hierarchy which allows a view of the total caseload without overlaps.

The first three benefits shown are JSA, ESA, and IS, followed by Tax Credits with or without Housing Benefit, and finally Housing Benefit only. This is best demonstrated in the table below.

Table A1: Benefit Hierarchy groupings

Hierarchical Group	Benefits combinations included
Jobseeker's Allowance (JSA)	JSA only (Income-based JSA only) JSA & TC JSA & HB JSA & HB & TC
Employment and Support Allowance (ESA)	ESA only (Income-based ESA only) ESA & TC ESA & HB ESA & HB & TC
Income Support (IS)	IS only IS & TC IS & HB IS & HB & TC
Tax Credits (TC)	TC only TC & HB
Housing Benefit (HB)	HB only

JSA and ESA households are included if they are (i) income based claimants, or (ii) contributory and income based. If JSA contributory claimants are also on Housing Benefit or Child Tax Credit they would show in Tax Credits or Housing Benefit groups. This is because JSA and ESA new style benefits remain for contributory and credits only claimants but if a household claim Tax Credits as well, that support will move to UC.

For the analysis in Tables 1 and 2 the classification above relates to what benefit households actually take-up, so if someone is eligible for HB and Tax Credits but only take-up their Tax Credits, we class them as a Tax Credit claimant. This is because we only include people who are claiming legacy benefits and not those who are eligible, but do not actually take them up. For the steady state analysis in Table 3 we classify them based on what they are entitled to. This only impacts the group they are included in rather than the overall estimates of those with a higher or lower entitlement.

Table 4 - Labour Market Impacts

Table 4 is based on a similar methodology to that seen in previous assessments of the labour market impact of UC, which received considerable independent peer review[7]. The main changes are this analysis considers the employment impact of UC Full Service (rather than Live Service), has a larger sample size and is based on Jobcentres across the whole of Great Britain. It compares new claims to JSA and UC between January and April 2018, this allows the fairest comparison of impacts and the results are robust to several sensitivity checks.

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[7] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/644541/universal-credit-employment-impact-analysis-update.pdf