

1 UC Programme Board Members
From: S40
Sponsor: Graeme Connor
Author: S40
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Updated Analysis on Legacy Benefit Claimants and their entitlement on Universal Credit

Issue: Ahead of the forthcoming Move to UC publication to update the Board on the latest volumes on claimants on legacy benefits and the proportion of those we expect to have a higher or lower entitlement when moving to Universal Credit

Decision / Recommendation

For Information – board members to note the updated analysis

Introduction

1. Since the full roll-out of Universal Credit (UC), households who wish to make a new claim to means-tested benefit or have a change of circumstance have needed to make a claim to UC rather than to the legacy benefit system (Jobseeker's Allowance, Income Support and Employment and Support Allowance, Tax Credits, Housing Benefit).
2. However, many households who claimed legacy benefits prior to the full roll out of UC will not have had a change of circumstance in the intervening years. Whilst the numbers has reduced over time, as some households would have a natural migration to UC through a change of circumstance or leave benefit (for instance reaching State Pension Age), we expect some **2.6 million households** to be in receipt of support in the legacy system in April 2022. The vast majority of those will be in receipt of either Employment and Support Allowance or Tax Credits, often in combination with Housing Benefit.
3. Whilst some of the remaining households will have a change of circumstance by the end of 2024 and naturally migrate , in order to decommission legacy systems, we are anticipating a need for some **0.2m voluntary moves** to supplement around **1.6m managed migrations**. Our forecasts project an even spread of voluntary migrations across the next two years, with managed migrations gradually increasing over time to around 100,000 per month in 2024. Our ability to reach 100,000 managed migrations a month will be further assessed during the Discovery and Scaling phases of the project.
4. To support this process, we intend to publish a document detailing our plans for restarting Move to UC and setting out how many and what types of household we expect to have a

higher or lower entitlement under Universal Credit. This document will also set out an updated comparison of the UC and legacy systems in ‘steady state’ – after Move to UC is completed.

Updated Entitlement Analysis

5. To estimate entitlement we blend administrative data on benefit receipt on the legacy and tax credit systems with the detailed characteristics information from the Family Resources Survey, which is necessary to establish whether a household would have a higher or lower entitlement under UC.
6. Table 1 shows that of the 2.6m households remaining on legacy benefits in April 2022, should they choose to claim UC today, we estimate around 1.4 million (54%) would have a higher entitlement on UC, 300,000 would see no change and approximately 0.9m (36%) would have a lower entitlement (before protections). This takes into account recent changes such as the reduction in UC taper, which lead to an increase of some 0.2m with a higher entitlement.
7. This overall positive comparison between entitlements under Universal Credit and the legacy system will support the Department’s upcoming communications activity.

Table 1: Estimates of UC entitlements by hierarchical¹ legacy benefit type

	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	600,000	<50,000	400,000	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	54%	10%	36%	

8. However, while over half of households are expected to have a higher entitlement under Universal Credit, this does vary by types of household. For instance, those households in receipt of Working Tax Credit and Housing Benefit are very likely to have a higher entitlement under Universal Credit, as they benefit from a lower overall rate of benefit withdrawal. In contrast those households in receipt of Severe Disability Premium and Enhanced Disability Premium are very likely to have a lower entitlement, and as such these households would benefit from waiting for a managed migration where a system of transitional protection would apply. The document will provide case studies to support stakeholders and individuals in deciding on whether to make a claim to UC

¹ 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’.

9. It is important to recognise that the total number of households with a higher entitlement has and will continue to reduce over time as the volumes on legacy reduce (in 21/22 there was an estimate of some 1.7m gainers). It is also likely that the percentage of those on legacy who have a higher entitlement may also fall to some extent, especially if those who recognise they have a higher entitlement choose to make a voluntary claim

Long Term Comparison

10. Table 2 provides a 'steady state' comparison of the Universal Credit and legacy benefit systems when Move to UC is completed. This demonstrates that over 5 in 10 households on Universal Credit in the future are expected to have a higher entitlement with only 3 in 10 having a lower entitlement than if the legacy benefit system had continued. This is a favourable comparison compared to when Universal Credit was first legislated for in 2012.

Table 2: 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	<50,000	<50,000	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	100,000	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	3,900,000	1,200,000	2,100,000	7,200,000
	53%	17%	30%	
Overall 2012 Impact Assessment	37%	29%	34%	

Decision / Recommendation

- For information only. Board members to note the updated analysis