Work and Pensions Select Committee – Universal Credit: the wait for a first payment

1. About Runnymede:

The Runnymede Trust is the UK’s leading race equality think tank. We were founded in 1968, to provide evidence on racial inequalities, to inform policymakers and public opinion about the reality of those inequalities, and to work with local communities and policymakers to tackle them.

We hold the secretariat for the APPG on Race and Community, chaired by Rt. Hon. David Lammy MP, and publish reports, briefings and research on race equality issues. Most recently, we launched a new book with the University of Manchester, State of the Nation: New comprehensive analysis on race in Britain.

2. Overview:

People from Black and Minority Ethnic (BME) Communities are more likely to be living in poverty than White British people. They are more likely to be living in poverty compared to their white peers, and more likely to be in the lowest paid work. This is due to lower wages, higher unemployment rates, higher rates of part-time working, higher housing costs in England’s large cities (especially London) and slightly larger household sizes. As a result of lower pay (and insecure income), Black and Minority Ethnic households receive, on average, a higher percentage of their income from working age benefits or tax credits.

The higher rates of child poverty experienced by BME groups is particularly important. 59% of Bangladeshi children, 54% of Pakistani children and 47% of Black children live below the poverty line in the UK.¹

¹ https://www.jrf.org.uk/report/poverty-ethnicity-labour-market

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More specifically, government data shows that BME families are more likely to be on state benefits and Universal Credit than their white counterparts, particularly when receiving income-related benefits. Research by Women’s Budget Group and The Runnymede Trust has shown that Universal Credit, and the five week wait, has left women worse off generally (as they are more reliant on universal credit than men), with a disproportionate impact on BME women and BME single households. Black women have been hit particularly hard. BME groups, and BME women in particular, are more likely to be in receipt of state benefits and have an insecure tenancy or job, making them vulnerable to any negative impacts associated with the five week wait. As a result, the five week wait is likely to disproportionately impact BME families.

3. The role of Universal Credit:

Universal Credit creates a safety net in the economy for people who do not own sufficient assets and who are cash poor.

The current benefit system, including Universal Credit is failing women and ethnic minority groups, as BME women appear to be worse off under Universal Credit, and disincentivised from working by the single taper rate as they tend to be the majority of second earners. As the Women’s Budget Group has shown, Universal Credit in its current set up is more likely to decrease women’s participation in the labour market and increase their economic dependence, thus undermining the Government’s narrative that under Universal Credit it ‘pays to work’.

4. The 5 week delay and the disproportionate impact on Black and Minority Ethnic families:

Work by the Runnymede Trust and Women’s Budget Group in 2017 found that, by April 2021 employed individuals who live in households claiming Universal Credit will be £1200 a year worse off than they would have been under the original UC system. Furthermore, 57%

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of the loss is due to the cut to the work allowance. Claimants not in work will be around £500 a year worse off\(^5\).

BME people are more likely to be in receipt of working age benefits and Universal Credit. Data on Universal Credit by ethnicity is not currently available but there is proxy data which illustrates that higher proportions of BME people are reliant on benefits and Universal Credit.

In 2019, a government statistical report found that those receiving ‘any income-related benefit’ from the government stood at 17% for White groups, 22% for mixed groups and 29% for Black groups\(^6\). This trend is consistent when we look at claimants of child benefit. This stands at 18% for white groups and 29% for Black groups.

However, when looking at the overall holistic picture of claimants, the government includes those claiming their state pension amongst the overall claimants of state benefits. Here, the number of Black people claiming their state pension stands at 11% and rises to as high as 27% of people for White groups\(^7\).

There have been significant concerns raised about the 5 week wait for Universal Credit from across civil society groups. Research by the Joseph Rowntree Foundation has shown that approximately two in five families on Univeral Credit cannot meet their basic living costs during the five-week wait\(^8\), and the Trussell Trust has shown that in pilot areas where Universal Credit has been rolled out, food banks have seen a 30% increase in demand (which subsequenty has increased to 48% food bank increase in two years)\(^9\). Despite these findings, the government have not conducted any analysis (let alone equality impact analysis on the impact of Universal Credit and the five-week wait on debt, destitution and food insecurity. In addition, we believe that the two-child limit within Universal Credit will increase child poverty among BME children as BME families are on average larger (with 3 or more children) than white British families. This makes the two-child limit discriminatory.

Analysis by Women’s Budget Group has found that by 2021, families with 3 or more children will be £3,287 worse off with two earners, and £3891 worse off with single earners. Black

\(^5\) [https://www.runnymedetrust.org/blog/universal-credit-is-failing-women-and-ethnic-minorities](https://www.runnymedetrust.org/blog/universal-credit-is-failing-women-and-ethnic-minorities)


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and ethnic minority single households (the majority of which are women) would be the worse off under the two-child limit.

5. Conclusion:

Universal Credit aims to support people and families with their living costs if they are on a low income or out of work. Low income individuals are disproportionately from BME communities and thus more likely to need this support. As it stands, changes to tax and benefits since 2010 have left BME people (and BME women in particular) worse off and the five week delay in Universal Credit payments are also pushing families into debt, destitution and food poverty.

With a disproportionate number of BME families in the UK living below the poverty line, having insecure tenancy and insecure jobs, they are at higher risk of the immediate financial hardship, and worsened households’ longer-term financial resilience associated with the five week wait.

Research from the Runnymede Trust and Women’s Budget Group found that, 5.9 million women living in households eligible for Universal Credit under 2013 rules will lose £4406 a year by April 2021 as a result of the combined impact of all changes to benefits, tax credits, universal credit, income tax, NICs and the National Living Wage introduced since June 2010. More specifically, Black women, whether employed or not stand to lose £5030 a year. In relative terms this amounts to 28% of the net individual income of those not in employment and 20% of those in employment.