Listen and learn

Improving the way that Universal Credit works

Alex Clegg & Lindsay Judge, Millie Light & Ruth Patrick with Changing Realities participants

January 2026

Acknowledgements

This report has benefited from the input of so many. To start, we would like to acknowledge and thank the more than 200 parents and carers on a low-income who take part in Changing Realities and together do so much both to document what everyday life is like for them, and to push for change. Their experiences and ideas for change are central to this report. We also thank the wider Changing Realities team, with a special thanks to Zoe Detheridge and Ruth Norris who work behind the scenes to make it all happen, as well as those who fund the project including, although not limited to: Centre for Impact on Urban Health, Joseph Rowntree Foundation, Nuffield Foundation, The Robertson Trust and Trust for London.

We would also like to acknowledge the input of ten welfare rights advisers who participated in a roundtable on UC in September 2025 and responded to our many follow-up questions with speed and expertise. We are also grateful to all those we interviewed for this report including: Victoria Todd, Claire Thackaberry and Jane Booth from the Low Income Tax Reform Group who helped shape our thinking on the self-employed; Lydia Hodges of Coram Family and Childcare Trust and Ruth Talbot from Save the Children who provided invaluable input on childcare. And we thank officials from DWP and Social Security Scotland for their open engagement too.

Finally, this report has been enhanced time and again by the team at Resolution Foundation. We thank Mike Brewer and Ruth Curtice for their research direction, and Nye Cominetti, Louise Murphy and Hannah Slaughter for research support. As always, however, all errors ain the authors' own.

Millie Light is a Research Associate and Ruth Patrick is Professor in Social and Public Policy, both at the University of Glasgow.

This work was undertaken in the Office for National Statistics Secure Research Service using data from ONS and other owners and does not imply the endorsement of the ONS or other data owners.

To note, we made a correction to the report on 4 February 2025. The report initially stated an estimate that 54 per cent of children in the UK were living in families receiving Universal Credit. This figure was incorrect. We have amended our estimate to 42 per cent of children are living in families receiving Universal Credit. Our amendments are confined to the Executive Summary, Section 1, and Conclusion. They do not affect any of the other figures or analysis in the report.

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Citation

If you are using this document in your own writing, our preferred citation is:

A Clegg, L Judge, M Light & R Patrick, *Listen and learn :*

Improving the way that Universal Credit works, Resolution Foundation, January 2026

https://doi.org/10.63492/flw6931

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Foreword

At Changing Realities, almost 200 parents and carers share what day to day life actually looks like over time. We do this through ongoing conversations, creative approaches and reflection. We look at what emerges when experiences are shared collectively. The aim is to not focus on individual stories in isolation, but to identify patterns and think together about what could work best in practice. Our work has fed into policy discussions and public debate, including the Department for Work and Pensions' internal Universal Credit (UC) review, and the co-produced recommendations in this report.

Our experiences of UC have been mixed. For some, the various exclusions and income tapers that reduce or stop benefit entitlement arguably serve to keep claimants and their families in a poverty trap. This is felt acutely with UC's childcare eligibility and payment systems, in which claimants can feel disadvantaged when trying to improve their financial circumstances through work. For others, UC has at times provided essential support. What comes through consistently is how much the design of the system affects people's sense of stability, predictability, and mental load.

Our lived experiences help highlight where policy intentions and tangible reality do not always align – where processes add unnecessary stress, where expectations don't reflect real lives, and where relatively small changes could make a meaningful difference. Much of what comes up in people's experiences link back to income stability, and how manageable things feel from one month to the next. It sits alongside how people's interactions with work are shaped by the system and emphasises the importance of mutual dignity and trust in social security relations, something that many of us have found is sadly lacking.

As Changing Realities' parents and carers, we do not want others to encounter the same struggles that we have, or, in many cases, continue to endure. We want to share our experiences to help improve the lives of others. Claimants can be great individual case studies to learn from but, collectively, can be great co-workers in this change process. We are energised to continue working together until we have a social security system that we are proud of – one which supports those it is intended to help – and one in which UC is reframed as a force for good.

Alara and Changing Realities participants

Executive summary

> *"[The] social security system is an amazing achievement of humanity. The proof that people do care for each other. But in the UK, that system is not working as it should."*
>
> **Xander D, Universal Credit Review Big Question, November 2025**

April 2026 will mark a true milestone for the UK benefits system: the end of the thirteen-year rollout of Universal Credit (UC) that has brought together all means-tested working-age benefits. At that point, an estimated 8.5 million working-age adults and 6.5 million children will live in households in receipt of UC, equivalent to a quarter of all people below pension age (26 per cent), and two-in-five children (42 per cent) in the UK today. Small surprise, then, that by 2029-30, the Government is forecast to spend £86 billion per year on UC (2025-26 prices), 60 per cent of DWP's total non-pensioner social security budget by that point in time. The steady-state scale of, and spend on, Universal Credit make it ever-more critical to 'get UC right'.

A grounded, realistic and costed programme of reform is required to improve the way that UC works

The Government made a welcome promise in its 2024 manifesto to review UC and is now actively considering the benefit's operation. This exercise has its limitations: it is not considering the level at which the various elements of UC are paid, for example, or the operation of the conditionality regime. But as

UC's rollout concludes, and the Labour Government seeks to place its stamp on part of the social security system so strongly identified with its Conservative progenitors, there is clear merit in taking a fresh look at the benefit to ask: what system changes could improve the lives of UC claimants whatever the level of financial support the benefit provides?

This report brings a range of evidence to bear on this important question. It draws on three key sources: the voices, views and expertise of low-income families in receipt of UC participating in the Changing Realities project; the insights of ten welfare rights advisers that participated in a Resolution Foundation policy roundtable in September 2025 and interviews with other specialists; and analysis of the large existing literature on UC, as well as relevant survey and administrative data and Freedom of Information requests. Taken together, this evidence informs our recommended programme of UC reform that is grounded in claimants' experiences; realistic about the system and its core policy objectives as is; and fully costed.

Rigidities in the UC system cause hardship and distress, but there are 'fixes' that would help

A key design feature of the UC system is that the claimant's income is assessed monthly using real-time information (RTI), and a single monthly award is then made in arrears. There were a number of reasons why UC was built this way. Most important was the desire to put a stop to overpayments that had proven to be a serious problem in the tax credit system both for the state and claimants. But there were less-well evidenced reasons for this decision too: UC's architects wanted the new benefit to "mimic work and receipt of a salary" (despite the fact that a third of low-paid workers are not paid monthly), and believed a single monthly payment would promote budgeting skills (heedless of the multiple studies that show that low-income families are often very smart budgeters indeed).

One upshot of UC's rigid monthly assessment period and payment in arrears is that new claimants must wait five weeks between making a claim and receiving their first UC payment, a gap which will cause hardship for claimants that do not have a final monthly pay cheque or savings to tide them over. In response, the Government offers claimants the option of a UC advance, in effect an interest-free loan paid back through automatic deductions from future UC payments over a maximum of 24 months. But although many do take out an advance (in 2024-25, 56 per cent of new UC recipients did just this), others are deterred by lack of knowledge, or by a reluctance to take on debt especially as managing on a reduced UC standard allowance is a daunting prospect.

But there are a number of relatively small changes that could help. First, it should be incumbent on work coaches to make sure new claimants know about, and fully understand the implications of not taking out, a UC advance. Second, the Department for Work and Pensions (DWP) could take a less stringent approach to backdating, allowing those that delayed applying for UC to backdate their claim by up to a month. Third, DWP could look to the system in Northern Ireland where discretionary grants are available for claimants in crisis without savings. Taken together, this set of 'fixes' could materially ease the impact of the five-week wait, at an annual estimated cost of around £500 million.

A fairer UC system will require moving away from a strict monthly assessment period

But UC's rigid monthly assessment brings with it problems other than the five-week wait. UC's design aimed to mirror an idealised version of employment with monthly pay cheques, but this means that the system works poorly for those who are paid at different frequencies, such as weekly, or four-weekly. The unfairness of this arrangement is brought home by considering the experience of three hypothetical single parents, all of whom earn £1,200 over a three-month period. The first, who has a steady monthly salary, receives just over £5,000 from UC over this time. The second, who is paid on a four-weekly cycle, receives £104 less in UC. And the third, a single parent on a zero-hours contract with irregular earnings, is eligible for £131 less UC over the three months than the parent with a steady monthly wage.

These problems arising from the monthly assessment period cannot be fixed by small tweaks. A flag on the UC journal (the claimants' primary interface with the system) that alerts people to the likelihood of a lower-than-usual payment in the following month would go some way to helping families prepare for a drop in their award. But properly fixing this issue, at least for those with a weekly-based pay schedule, would require a structural adaptation of the system so that claimants can elect to have their income assessed either four-weekly or monthly, depending on whichever reflects the realities of their lives.

Implementing a similar change to allow claimants with volatile earnings to be assessed on a rolling basis over a three-month period would plausibly be a less problematic reform for DWP: we assume that it is easier in a system that works in months to aggregate up, as opposed to assess weekly. And there is one group of claimants to whom we do think this facility should be extended, and that is self-employed people who by the very nature of their way of working have very little control over when their invoices are paid.

UC 's fundamental aim is to support claimants into work, but some still struggle to 'make work pay'

UC has been mostly successful in reducing the instances of very weak financial incentives to work, but there are still sharp edges in the system that can lead to barriers to people working more, particularly for two groups: the self-employed, and parents with childcare costs.

The UC system takes a tough, yet largely justified, approach to self-employed claimants in other ways, not least by assuming that 12 months after their claim begins they earn the equivalent of the National Living Wage for their required work hours regardless of their actual earnings. This 'minimum income floor' (MIF) can truncate self-employment for some and undermine the financial stability of others. However, the time needed for a business to become viable varies significantly across sectors, and 12 months may not be sufficient for some solo practitioners to get off the ground. Given this, work coaches should be given discretionary power to extend the start-up period if a claimant is genuinely close to achieving profitability.

UC provides significant support to parents on a low-income with childcare costs, with a subsidy of up to 85 per cent. But this support is not as helpful as it might be because UC requires parents to pay childcare costs upfront, and then to claim the subsidy back. But an outlay on this scale can be prohibitive for low-wage parents, preventing many from entering, or taking on more, work. The Flexible Support Fund (FSF) can already be used to cover the first month of childcare costs when entering work (but not increasing hours), but awareness is low; the FSF is administered outside the UC system; and only a small slice of the fund is spent on childcare each year. Bringing this element of the FSF into the UC system could boost awareness and harness this resource to better effect.

But if DWP were mindful to introduce more fundamental reforms to prevent UC claimants paying childcare costs upfront, it could look to another part of the childcare architecture for inspiration: Tax-Free Childcare (TFC). Under this system, a 20 per cent public subsidy is paid into a parent's account as soon as the parent has deposited their funds, and the account can only be used to pay childcare costs to a registered provider. If DWP could use the TFC system for UC claimants, then the government could pay the childcare element of UC into the equivalent of a TFC account as soon as UC claimants had deposited their required contribution, meaning parents would no longer have to cover the full bill upfront.

Simple changes to the UC system would help claimants understand their rights and responsibilities far better

One of UC's key policy objectives was to simplify the benefits system, and in some respects, it has delivered on this aim. Bringing together six previous benefits, each with their own rules, application processes and payment systems, has simplified the claims process considerably, and the shift to using RTI data for earnings has reduced the reporting burden for claimants. But as Changing Realities participants attest, managing a UC claim can be anything but simple. Claimants are often unable to understand the system, which leaves them with a strong sense that the system is not on their side. Compounding this, while the UC claimant commitment clearly sets out what DWP expect from the claimant to maintain their entitlement to UC, there is no reciprocal set of commitments made by DWP regarding, for example, response times to claimant queries.

Clear communication is the foundation of a trusted service and there are a number of 'fixes' that could easily improve information flows. Claimants would benefit from a clear breakdown of their award, for example, and an 'urgent action' tab on the journal would ensure that important information about appointments or requests for evidence was not missed. But if the Government wanted to indicate that it is truly 'on-side' and to deliver on the highly desirable public policy objective of boosting benefit take up, it should extend its role from benefit administrator to provide a full benefit check for UC claimants.

Clearer explanations of decisions would also help claimants know if they have cause for complaint. If a UC claimant wishes to challenge a decision, they must ask DWP for a Mandatory Reconsideration (MR) and only after that can they appeal to a benefits tribunal. Evidence from frontline workers suggests that many claimants are often unable to exercise this right because they are simply not aware that a decision has been made or are confused about the multiple ways they can ask for a review (via the journal, by phone, by email or by a special form). But again, there is a simple fix: just as an 'advance button' has been added to the UC interface in recent years, so too could an 'MR button' or an 'MR page' in the journal be added.

And there is one further administrative change that could be of immense benefit to claimants, and that is a commitment that DWP respond to enquiries within a certain timeframe. Without this, claimants can be left in limbo both financially and emotionally, and this can be a very long limbo indeed for some: one-in-seven (14 per cent) UC MRs took an average of two to three months to clear in the first six months of 2025 (the latest data available), and one-in-six (17 per cent) took over three months. Of course, speedy decisions are not necessarily accurate decisions, but the Government should set reasonable time limits for different types of requests.

A wholesale culture reset may still be needed to ensure the UC system treats claimants with respect

Administrative competence and clarity are important for a trusted system, but so too is one that respects the people it seeks to support. Time and again, UC claimants report being treated with suspicion, unkindness and a lack of dignity. For example, given the personal nature of conversations that happen as part of a UC claim, it is surprising that only 30 per cent of Job Centre Plus (JCP) offices have a private room for conversations. One cost-free way to ensure privacy would be to move more work coach interviews online (there could be certain requirements attached to this: that claimants must have their cameras on, for example, and do the interview in a quiet place). But if DWP is wary of this approach (and it certainly seems to be with disability and incapacity benefit assessments), then it must commit to provide a confidential space in all JCP offices.

There is another simple change that could be made at minimal cost that would also help DWP staff know when extra privacy and sensitivity may be warranted, and that is to create a flag function on a claimant's journal if they have a particular vulnerability (for example, if they are a care leaver, a domestic violence survivor or have a serious mental health condition). But DWP may need to go far further than these tweaks. So many people have deep-seated issues with UC, either because of personal experience or because of the discourse surrounding the benefit, more radical reform may be required if dignity is to truly be centralised in the UC system.

DWP would do well to look to Scotland to learn how to effect wholesale culture change of this type. From its establishment in 2018, Social Security Scotland set out to operate with 'dignity, fairness and respect'. It worked with claimants and their representatives to co-produce a Charter setting out what people could expect from the new social security system; set up a monitoring framework for this Charter; and recruited and trained new staff in 'Intelligent Kindness'. And this has paid off: evidence suggests that those claiming Scottish Adult Disability Payment (ADP), for example, report a better claimant experience compared to their peers in England and Wales claiming Personal Independence Payment (PIP).

Our recommended programme of reforms will not break the bank

Hard-headed politicians might argue that UC reform should not be on the cards when public spending is so tight. But there is an array of system changes which claimants attest would make lives better that can be achieved within tight fiscal constraints. We estimate that implementing all the recommendations in this report would cost the Government a ballpark £400 million in one-off costs, which would need to be found from DWP's DEL budget of around £12 billion a year. And the estimated ongoing cost to the benefit bill of these changes is much less than the billions normally involved in the welfare system: the increase in annual benefit spending of our total package would be in the range of £700 million to £900 million a year, or up to 1 per cent of the £93 billion forecast spend on UC in 2029-30.

The Government should listen and learn when developing social security policy in the future

Perhaps the most striking finding from this project is that many of the issues flagged by Changing Realities participants, welfare rights advisers and other experts are not new. DWP has held countless stakeholder forums with frontline benefit experts and claimants, starting even before UC's introduction in 2013, where it has been repeatedly told about problems like the five-week wait, the lack of clear channels for requesting an MR, and the disrespect that claimants encounter. All of which suggests a change in the way DWP makes policy is overdue. Rather than the 'test and learn' approach that the Government adopted when UC was first introduced, it should instead 'listen and learn' and truly take heed of the everyday experiences of those UC purports to help.

April 2026 will mark the end of a thirteen-year overhaul of the working-age social security system, with UC (finally) fully replacing the six legacy benefits from that point on. But although this milestone represents the end of UC's implementation phase, it cannot mean the end of its development as a benefit. And that is why we give the last word in this report to Lisa from Changing Realities:

> *"We share our experiences to help improve the lives of others. So, let's hope we can continue this conversation with you".*

Lisa Holden, DWP roundtable, January 2026

Section 1

Introduction

> *"[The] social security system is an amazing achievement of humanity. The proof that people do care for each other. But in the UK, that system is not working as it should".*

Xander D, Universal Credit Review Big Question, November 2025[1]

In April 2013, the then-Government began the rollout of a new means-tested working-age benefit: Universal Credit (UC). Described at the time as "the most significant change to the welfare system since the Beveridge reforms", UC had a number of ambitious objectives.[2] First, it was designed to simplify the social security system, bringing together six working-age benefits and tax credits.[3] Second, it centralised work, removing cliff edges and extending conditionality to claimants who had not previously been subject to work requirements.[4] Third, by using real-time information and paying the benefit in arrears, UC aimed to reduce fraud and error, and especially the high level of overpayments that had bedevilled the tax credit system for many years.[5]

Scroll forward thirteen years, and the rollout of UC is almost complete. All new working-age claimants have had to apply for UC since December 2018, and managed migration – the process by which claimants on legacy benefits are moved over to UC – is due to conclude by April 2026.[6] At that point, an estimated 8.5 million working-age adults and 6.5 million children will live in households in receipt of UC, equivalent to one-in-four people below pension age (26 per cent) and two-in-five children (42 per cent).[7] Moreover, UC affects not only a large part of the population but also many of the most vulnerable in society: in 2024, for example, one-in-five (21 per cent) UC claimants was

1 Changing Realities participant quotes are pseudonymised throughout, except for quotes from published blogs or speeches for which the participant may have elected to use their real name.
2 DWP, Universal Credit: Welfare that Works, November 2010.
3 These were: Child Tax Credit, Housing Benefit, income-related Employment Support Allowance, Income Support, income-based Job Seekers Allowance and Working Tax Credit. These six programmes are often referred to as 'legacy benefits', a term we also employ throughout.
4 DWP, Universal Credit Policy Briefing Note 12, October 2011.
5 DWP, Universal Credit: Welfare that Works, November 2010.
6 DWP, Completing the move to Universal Credit: Completing the move for households previously on Employment and Support Allowance, November 2025.
7 Source: RF analysis of DWP, StatXplore; ONS, National population projections; Northern Ireland Department for Communities, Universal Credit Statistics.

either care-experienced, an ex-offender or had had experience of substance dependency or homelessness in the previous two years.[8] And given its scale, it is not surprising that by 2029-30, the Government will spend £86 billion per year on UC, 60 per cent of the Department for Work and Pensions' (DWP's) total social security budget for non-pensioners.[9]

The steady-state scale of, and spend on, Universal Credit make it ever-more critical to 'get UC right'. The Government made a welcome promise in its 2024 manifesto to review UC, and is now actively considering the benefit's operation.[10] This review does have some limits: it is internal only, and is restricted in scope (critically, it is not considering the level at which the various elements of UC are paid or the conditionality regime).[11] But as UC's rollout concludes, there is clearly merit in the new Government taking a fresh look at the practical aspects of UC, and to ask what system changes could genuinely improve outcomes for, and the experiences of, UC claimants.

This report brings a range of evidence to bear on this important question. It draws on three key sources: the voices, views and expertise of low-income families in receipt of UC participating in Changing Realities (see Box 1 for further information); the insights of 10 welfare rights advisers who joined us at a policy roundtable in September 2025 and a number of other specialists; and analysis by the Resolution Foundation of the large existing literature on UC, as well as relevant survey and administrative data, including a number of new Freedom of Information requests. By bringing this range of information, expertise and knowledge together, we aim to provide a grounded programme for UC reform that could improve the lives of the millions who receive the benefit.

Box 1: Changing Realities

Changing Realities is a participatory research programme working with over 200 parents and carers living on a low income across the UK.[12] Participants use a range of methods such as online diaries, zine-making, poetry and media appearances to document the day-to-day reality of life in poverty, the

8 DWP, Survey of disadvantaged groups on Universal Credit covering: care experience, ex-offenders, homelessness and substance dependency, October 2025.

9 Figures for Great Britain, in 2025-26 prices (deflated by GDP). Source: RF analysis of DWP, Benefit expenditure and caseload tables, Autumn Budget 2025.

10 Labour Party, Change: Labour Party manifesto 2024; DWP, Evidence and Evaluation Strategy 2025, July 2025; Full Fact, Is the government on track with its review of Universal Credit?, accessed 14 December 2025.

11 Although we treat them as out of scope in this report, adequacy and the appropriate level of conditionality are issues which remain important, and ones on which both Changing Realities and the Resolution Foundation have produced other work. See, for example: H Parkes et al., Getting the child poverty strategy we need: A co-produced agenda for change, IPPR, June 2025; M Brewer & A Clegg, Ratchets, retrenchment and reform: the social security system since 2010, Resolution Foundation, June 2024.

12 For more information, see: Changing Realities, About Us, accessed 12 December 2025.

challenges they experience and the changes they want to see. By sharing experiences of life on a low income and taking part in policy making discussions at the highest levels of government, Changing Realities aims to help deliver much-needed change.

Changing Realities is the successor to Covid Realities, a rapid-response to the Covid-19 pandemic, which saw parents and carers on a low income come together to document what life was like in poverty during the pandemic.[13] Six years on, the programme remains a very close collaboration between parents and carers, researchers from the University of Glasgow, London School of Hygiene and Tropical Medicine, and Child Poverty Action Group. The team is also supported by artists and creatives.

For this report, parents and carers from Changing Realities provided critical input in two main ways. First, they shared written or audio responses to four video-elicited 'Big Questions' posed by DWP and the Minister for Social Security and Disability between June and November 2025 on the key themes of the UC Review and most of the quotes in this report draw from this testimony.[14] Second, parents from Changing Realities were involved in co-producing the recommendations shared in this report, meaning the recommendations are grounded in this experiential expertise. Parents took part in an online 'Big Ideas' session in November 2025 where policy reforms that would improve their experience of, and outcomes from, UC were explored. Subsequently, the co-produced recommendations emerging from this process were sense-checked with all those taking part in the project before being finalised.

We know that aspiration also needs to be tempered with realism. Much has been written – including by this report's authors – about the wider issues of benefit adequacy and stubborn issues of working-age poverty (both in and out of work).[15] But throughout this report we have endeavoured to 'work with the grain' of the UC system and identify small but effective 'fixes' that are available. We present larger, more structural solutions when this is the only option to solve a significant problem. Furthermore, we have endeavoured to estimate how much Departmental Expenditure Limit (DEL) spending would be required to implement the suite of recommendations we present (although these figures

13 R Patrick et al., A year like no other: Life on a low income during COVID-19, Policy Press, September 2022.

14 The four Big Questions were as follows: (i) What aspects of UC should be changed so that it supports people on low incomes better? How would this help you or people in a similar position to you? (ii) How do you manage your daily living expenses? Is there any specific support or resources that you think would help those on a low income to manage finances more effectively? (iii) If you were able to get a job or work more hours to increase your income, what factors would you consider before making this decision? What specific support or resources would you find helpful in making this decision? (iv) What informs your view/perception of Universal Credit? And, what affect does this have on your engagement with the social security system.

15 See, for example: L Judge & H Slaughter, Working hard(ship): An exploration of poverty, work and tenure, Resolution Foundation, February 2020; M Brewer & A Clegg, Ratchets, retrenchment and reform: the social security system since 2010, Resolution Foundation, June 2024; U Jordan et al., 'The scales never seem to balance': Exploring the lived realities of poverty during the UK 'cost-of-living crisis' through participatory research, Journal of Poverty and Social Justice vol 33(2), May 2025; H Parkes et al, Getting the child poverty strategy we need: A co-produced agenda for change, IPPR, June 2025.

should be treated as ballpark only), as well and the estimated effect such changes would have on the Annually Managed Expenditure (AME) spend.[16] Altogether, this report aims to present a grounded, realistic and fully-costed programme of reform. To this end, this report is structured as follows:

- Section 2 considers how the structure of UC can undermine the income stability of those who lack resources to fall back on when times are hard;
- Section 3 examines how UC interacts with employment, looking closely at the issues experienced by those who are self-employed and families with children;
- Section 4 reviews how claimants experience the UC system, and considers what needs to change if the Government truly wants to improve trust; and,
- Section 5 concludes with a number of principles our research suggests should inform the UC Review, and a summary of our recommendations and costings.

16 DEL is the budget allocated to government departments to cover day-to-day spending such as staff and supplies, as well as investment such as infrastructure (including changes to IT systems) and buildings. DEL budgets are fixed for a Spending Review period. AME is spending that is not fixed as it is difficult to predict or control, such as benefit payments. Increased AME spending would be added to DWP's AME forecast.

Section 2

Improving income stability

> *"I have formed my view on Universal Credit by watching other people who have moved onto this system fall into debt fairly quickly, I have seen people who are good at budgeting money now borrowing money on a regular basis".*

Penny B, Universal Credit Review Big Question, November 2025

When Universal Credit (UC) was introduced in 2013, its architects suggested the benefit would improve the budgeting skills and financial responsibility of claimants. A shift to a monthly assessment period and a single monthly payment made in arrears under UC was purported to mimic the world of work and designed to encourage those not currently working to adapt to budgeting across this time period. This was a significant change from the legacy benefit system: eligibility for Jobseekers Allowance (JSA), Employment and Support Allowance (ESA), Income Support (IS) and Housing Benefit (HB) was calculated weekly, while Child Tax Credit (CTC) and Working Tax Credit (WTC) had previously been estimated based on annual income. Each legacy benefit was paid separately, typically every two weeks.

Early DWP proposals for UC contain a number of arguments for moving to monthly assessment periods and payments in arrears, not least that the new system would prevent the large overpayments that were common in tax credits.[17] In 2012-13, for example, tax credits were overpaid by £1.5 billion, something that often caused problems for claimants when they were then asked to pay it back.[18] The architects of the new benefit also believed UC should "mimic work and receipt of a salary" and that this would prepare unemployed claimants for the world of work.[19] In addition, the argument was made that single monthly payments would promote budgeting skills by matching the frequency of most rent and bill payments, and by making it clearer to claimants how work would impact on their benefit payments.[20]

17 DWP, Impact assessment for Universal Credit, November 2010; DWP, Universal Credit: Welfare that works, November 2010.
18 HM Revenue and Customs, Child and Working Tax Credit statistics: Finalised annual awards, Supplement on payments in 2012-13, May 2014.
19 DWP, Universal Credit Policy Briefing Note 2, September 2011. See also DWP, Universal Credit: Welfare that works, November 2010; See the comment by N Couling in: Reform, A welfare state that works for all, November 2016; Hansard, Commons debate 9th May 2012, col 123.
20 DWP, Universal Credit Policy Briefing Note 2, September 2011

The significant reduction in overpayments compared to the tax credit system – something that is achieved by basing UC on past, verifiable, information, rather than estimates that are later corrected – is a clear improvement. However, the aims to make UC payments mirror those of salaried employment and to boost budgeting skills and responsibility were misguided. Designing the structure of an in-work benefit around a specific pattern of employment has inevitably led to misalignment between UC and those with non-standard employment or who are paid on a non-monthly cycle, especially given that, as we show below, non-monthly payment cycles are more common for low-paid workers. Added to this, the focus on boosting personal responsibility is ill-founded, given the significant body of research (even at the time of UC's introduction) showing that people with low incomes frequently develop sophisticated practices to make ends meet.[21]

Changing Realities participants and the welfare rights advisers and other experts we spoke to as part of this project cited two major issues arising from UC's rigid monthly assessment period: the five-week wait for the first payment after making a claim, and income volatility caused or exacerbated by misalignments between earnings patterns and the monthly structure. So, could UC be adapted to fit better around the lives of people who rely on it and to promote rather than undermine income stability?

The five-week wait at the start of a UC claim causes significant problems for many

One upshot of UC's monthly assessment period and payment in arrears is that new claimants must wait five weeks between making a claim and receiving the first payment. The delay occurs because entitlement is assessed over a calendar month after the initial claim, and then there is a processing time of around a week for the payment to be made. In contrast, first payments were received sooner under the legacy system, typically two to three weeks after making a claim. For the legacy benefits administered by DWP (JSA, ESA, IS and HB), this was possible because entitlement was calculated on a weekly basis (with a seven-day waiting period before entitlement began for JSA and ESA). For tax credits, rapid payments were possible because entitlement was based on predicted income over a tax year (and then corrected after the end of the tax year, leading to the overpayments mentioned above).

It is possible, perhaps, to think of some cases where the five week wait may not matter much: for example, if a person who was previously paid a monthly salary loses their job and makes a claim the day after they receive their final pay cheque, then the five week

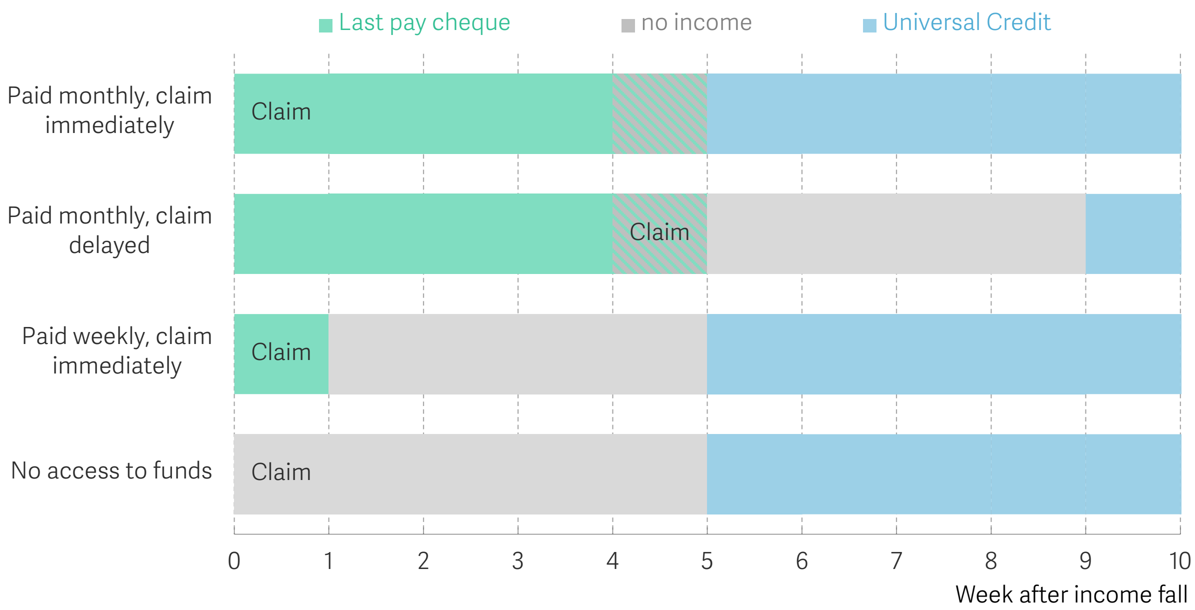
21 Examples of work available at the time of UC's introduction include: C-A Hooper et al., Living with hardship 24/7: The diverse experiences of families in poverty in England, Frank Buttle Trust, 2007; J Flint, Coping Strategies? Agencies, Budgeting and Self Esteem Amongst Low-Income Households, Centre for Regional Economic and Social Research & Sheffield Hallam University, 2010; S Orr et al., When Ends Don't Meet: Assets, Vulnerabilities and Livelihoods- An Analysis of Households in Thornaby-On Tees, Church Action of Poverty, 2006; R Lister, Poverty, 2004.

wait for UC should be a relatively small issue, as their final monthly wage can stretch into week five until their UC payment is made. However, not all, or even most, UC claims are this straightforward. DWP data for the four years to mid-2018 shows half (49 per cent) of households claiming UC had no earnings in the three months before making a claim and that a fifth (22 per cent) delayed claiming because they did not know how to apply or thought they would get a new job quickly; similarly, Citizens Advice has reported that the "vast majority" of UC claimants do not fit the model of being recently employed and possessing savings.[22]

Figure 1 demonstrates the impact of the five-week wait through a number of hypothetical case studies. First, an individual on a weekly zero-hours contract whose hours fall suddenly and unexpectedly will be left with no income for four weeks even if they claim as soon as their earnings drop. Second, a claimant with a monthly pay packet who lost their job and did not claim until their last pay cheque is exhausted will experience around four weeks potentially with no funds. Third, somebody who leaves an abusive relationship and suddenly has no access to their joint bank account faces five weeks without UC.

FIGURE 1: **The five-week wait for Universal Credit can lead to a significant period with no income**

Source of income for hypothetical UC claimants, by number of weeks after initial income fall: UK, 2025-26



NOTES: Periods of no income can be covered by an advance payment which is repaid in instalments via deductions to subsequent UC payments, but not all claimants are aware of advances or willing to take them. New Claims Grants are available in Northern Ireland to new claimants in hardship. UC is typically paid twice per month in Northern Ireland, but the five-week wait still applies.
SOURCE: RF calculations.

22 See: National Audit Office, Universal Credit: getting to first payment, July 2020; Citizens Advice, Managing Money on Universal Credit, February 2019, p16.

Given the above, and the widely documented problems with the five-week wait, it is unsurprising that this is the most common issue with the UC system that Changing Realities participants identified. They spoke at length and repeatedly about the problems this design feature can cause:

> *"When I first claimed UC I found the 5-week wait was too long. It was an extremely tough time for us."*

Aurora T, Universal Credit Review Big Question, June 2025

> *"One major part of Universal Credit that desperately needs reviewing is the five-week wait, it's devastating for families like mine … That wait puts people into crisis from the start, creating debt and anxiety that takes months, sometimes years, to recover from."*

Ollie U, Universal Credit Review Big Question, June 2025

A UC advance is the official response to the five-week wait, but claimants are often wary or simply unaware of this facility

DWP has not been oblivious to the problems the five-week wait can present for many families and made provision from the outset for those without sufficient funds for the first weeks of their claim. A UC advance is available to all claimants: this functions as an interest-free loan that is paid back through automatic deductions from future UC payments over a period of up to 24 months. Advances are widely taken out: in 2024-25, 56 per cent of new UC recipients took out an advance, at an average value of £570.[23] They successfully provide funds during the wait for the first UC payment, effectively providing the first 24 months of UC payments in 25 payments instead of 24. However, advances mean that people start their period of UC receipt 'in debt' to the government. Some claimants are reluctant to do this, not just because of a desire to avoid debt, but also because making ends meet on UC even before deductions can be extremely difficult.[24]

> *"The five-week wait for the first payment … pushes people into crisis at the exact moment they're most vulnerable. Many have no choice but to take an advance, which then leads to deductions and deepens financial pressure in the months that follow."*

Alby K, Universal Credit Review Big Question, June 2025

23 DWP, Universal Credit Advances Model. Consistent time series data on the number of new claimants taking an advance payment is not available, but evidence suggests the rate hovers around half of claimants. See: Trades Union Congress, Universal Credit and the impact of the five week wait for payment, November 2020; National Audit Office, Universal Credit advances fraud, March 2020; National Audit Office, Universal Credit: getting to first payment, July 2020.

24 The real value of the UC standard allowance for a single adult fell by 9 per cent between 2013-14 and 2025-26 due to freezes and below inflation uprating in the 2010s.

Given this, the reluctance by some UC claimants to take out an advance is understandable. But the previous Government did try to make the scheme more manageable, most recently by extending the maximum duration over which advances could be paid back from 12 to 24 months, which halved most recipients' monthly deductions by spreading them over a longer time period.[25]

Alongside this wariness about advances, there is also an issue with awareness of them and of the five-week wait in general. Recent DWP research suggested that in 2019, one-quarter (25 per cent) of claimants were not aware of the five-week wait until their first work coach interview after making a claim, and that this low awareness persists.[26] The same research reports that some claimants say they were not told about advances at the point of making their claim, including some that would have taken one had they been aware. Others decided not to take advances when offered, as they did not understand that they did not attract interest.

An easy 'fix' for this problem is for DWP to review how claimants are provided with information about advance payments and to ensure this information is consistent and comprehensive. All claimants should be told about the five-week wait and their eligibility for an advance explicitly at three specific points: when submitting the initial application; when claimants engage with their UC journal; and at their initial work coach interview. It should be made clear that advances are interest-free loans and explained how repayments work. And it should be incumbent on the work coach to ensure that the claimant has fully understood the process and the implications of a decision not to take an advance.

UC's fundamental structure precludes eliminating the five-week wait easily, but a more generous approach to backdating would help …

There is one group impacted by the five-week wait for whom the waiting period could be significantly reduced: those who did not claim UC as soon as they became eligible. At present, rules around backdating claims are stringent. Claims can only be backdated for up to one month in five scenarios: if the claimant has a disability; if health problems prevented them from claiming earlier; if the online service was not working and they claimed as soon as it was working again; if they were not told a benefit they were previously receiving was going to stop; or if they started a claim with a partner who did

25 When UC advances were introduced in 2013, they initially covered 50 per cent of an expected award and had to be repaid over a period up to 6 months. In 2018, the amount was increased to 100 per cent of the expected award and a maximum repayment period of 12 months which was then extended to 24 months in 2024. In April 2025, the Government introduced the Fair Repayment Rate, which reduced the maximum level of deductions from UC awards from 25 to 15 per cent of the standard allowance in most cases. However, although this helps those with multiple deductions, it makes little difference for those only paying back advances: the average deduction for advances paid back over a 24-month period is around £24 per month, well below 15 per cent of the standard allowance.

26 DWP, Take up and use of the Universal Credit Advance Payment, October 2024.

not complete their part of the claim and they then claim as a single person.[27] These rules clearly hinder those who lack understanding of how UC operates. For example, DWP research shows that newly out-of-work claimants sometimes wait a number of months before claiming in the hope they will find a new job quickly. In other cases, claimants with a sudden change of circumstance may (understandably) have difficulty looking beyond their immediate crisis and so have limited ability to absorb new information, including the optimum time to make a UC claim.[28]

Allowing backdating of claims by default would reduce the extent to which those who delay claiming or are less informed about UC are unfairly penalised. It would eliminate the five-week wait for claimants who have already been eligible for UC for a month or longer at the point they make their claim (save for a few days processing time), as a full assessment period of entitlement could be calculated immediately.[29] For those who have been eligible for less than a month, the waiting period could be reduced by starting it when they became eligible, rather than when they claim.

This would, of course, have an ongoing fiscal cost (in the form of higher AME spend on UC awards), as total claiming periods would be longer, given the evidence cited earlier that many have no earnings in the period before making a claim. We estimate that allowing backdating of up to a month for all claims would increase annual spending on UC by around £360 million in 2029-30 if half of all new claimants had their awards backdated between one week and a full month.[30] However, the flipside is that some people might decide not to claim as soon as they are eligible if they know they can get a future claim backdated, and may then re-enter employment quickly and never submit a claim. Given the gravity of the five-week wait problem, the extra spending required is arguably worth it to mitigate the impact.

… as would discretionary grants for those in hardship while they wait for their first payment

But there are other options the Government could consider to lessen the impact of the five-week wait. It could, for example, follow the approach taken in Northern Ireland, and introduce discretionary grants for those in crisis. This approach has been in place in Northern Ireland since UC was first rolled out there in 2017. UC claimants can apply for a New Claims Grant (called the Contingency Fund before March 2025) if they are in a crisis situation that puts their or their family's health, safety or well-being at significant risk; their annual family net income is below £28,571; and they do not have significant

27 DWP, How to claim Universal Credit, accessed 25 January 2026.
28 DWP, Take up and use of the Universal Credit Advance Payment, October 2024.
29 Verifications of new claims can take longer than a week in some circumstances.
30 This assumes 30 per cent of new claimants backdate for one week, 10 per cent backdate for two weeks, 5 per cent backdate for three weeks and 5 per cent backdate for a month. See Annex 1 for methodology and assumptions.

savings.[31] Rolling out similar grants across the UK would help ensure the most vulnerable claimants do not start their Universal Credit claim in debt.

The ongoing AME cost of providing such a fund in Britain would depend on the value of the grants available and their uptake. In 2024-25, £800 million was paid out in advances in Britain. If 20 per cent of new claimants were paid the equivalent amount as a grant instead of an advance (similar to the rate receiving New Claims Grants in Northern Ireland), this would cost an estimated £350 million in 2029-30.[32] That said, costs could be around half this if discretionary grants were rolled out alongside extended backdating.[33]

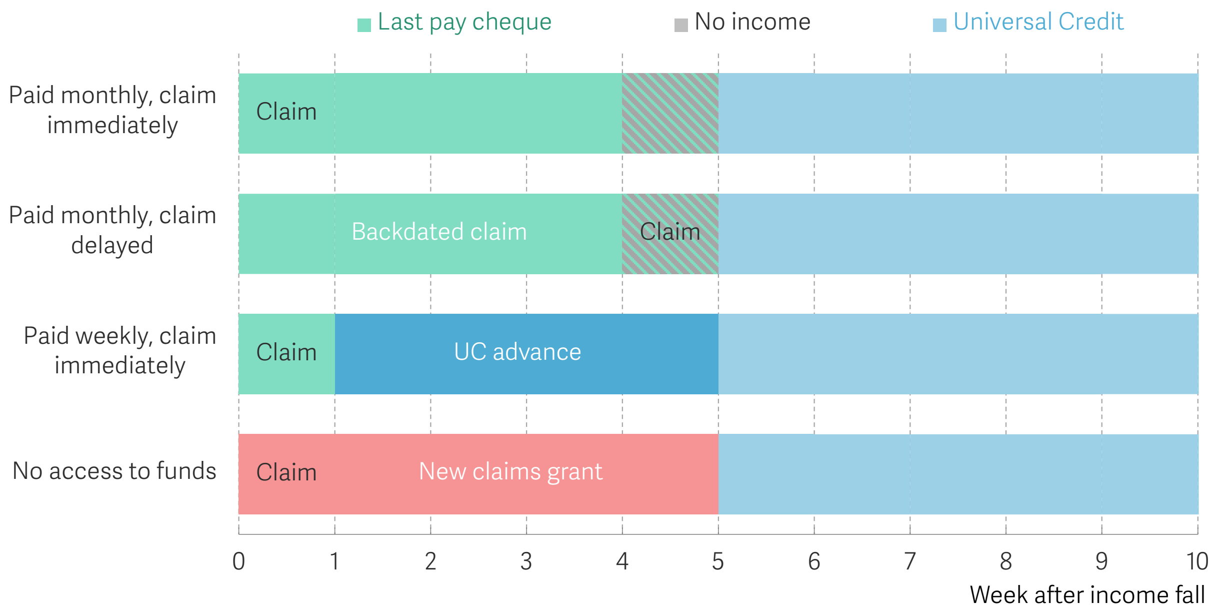
One possible response from the Government would be that the Household Support Fund (which is about to become the Crisis and Resilience Fund) already exists to provide local authorities with the ability to provide discretionary support to those in crisis. However, these funds are intended to cover a much wider set of needs, and their purpose would be heavily undermined if around a third of the £1 billion annual budget was taken up mitigating the five-week wait.[34]

Taken together, our three proposed 'fixes' could ameliorate the impact of the five-week wait in the vast majority of cases. Figure 2 makes the point: more leniency when it comes to backdating would help our hypothetical claimant who has delayed claiming for the first month; an advance would help those who have claimed promptly but who still face a significant income gap before the first UC payment is made; and a new claims grant scheme could help those who are especially vulnerable and who may struggle with paying back any advance in the future.

31 Northern Ireland Government, Universal Credit New Claims Grant [accessed 26th January 2026].
32 We estimate that 19 per cent of new UC claimants in Northern Ireland received a Contingency Fund grant in 2023-24, based on 11,160 total grants and an estimated 57,540 new starts to Universal Credit. Source: Department for Communities, Welfare Mitigation Schemes Statutory Report, December 2024; Department for Communities, Universal Credit Statistics – February 2024, May 2024. See Annex 1 for more details.
33 Based on an assumption that around half of new claimants receive some level of backdating and do not qualify for discretionary grants. See Annex 1 for more details.
34 See DWP, Crisis and Resilience Fund: Guidance for local authorities in England, January 2026; A Clegg, The localisation era: Assessing the post-2013 rise of localised social security, Resolution Foundation, November 2025, https://doi.org/10.63492/ndxb35.

FIGURE 2: **Easier backdating and advances plus discretionary grants could alleviate the pain of the five-week wait for most**

Source of income for hypothetical UC claimants, by number of weeks after initial income fall under reformed policies: UK, 2025-26



NOTES: New Claims Grants are available in Northern Ireland to new claimants in hardship. UC is typically paid twice per month in Northern Ireland, but the five-week wait still applies.
SOURCE: RF calculations.

The monthly assessment causes problems for claimants whose earnings are not paid on a monthly basis

UC's rigid monthly assessment brings with it other problems than the five-week wait. It aims to mirror an idealised version of employment but, in practice, this means that the structure of UC aligns poorly with non-monthly payment cycles. This causes major issues for employees who are paid on a schedule other than monthly, such as those paid weekly, fortnightly or four-weekly (even when their payments do not fluctuate), and those with irregular or unpredictable earnings. (We discuss the issue of self-employment, the group that potentially experiences the greatest swings in earnings over time, in Section 3).

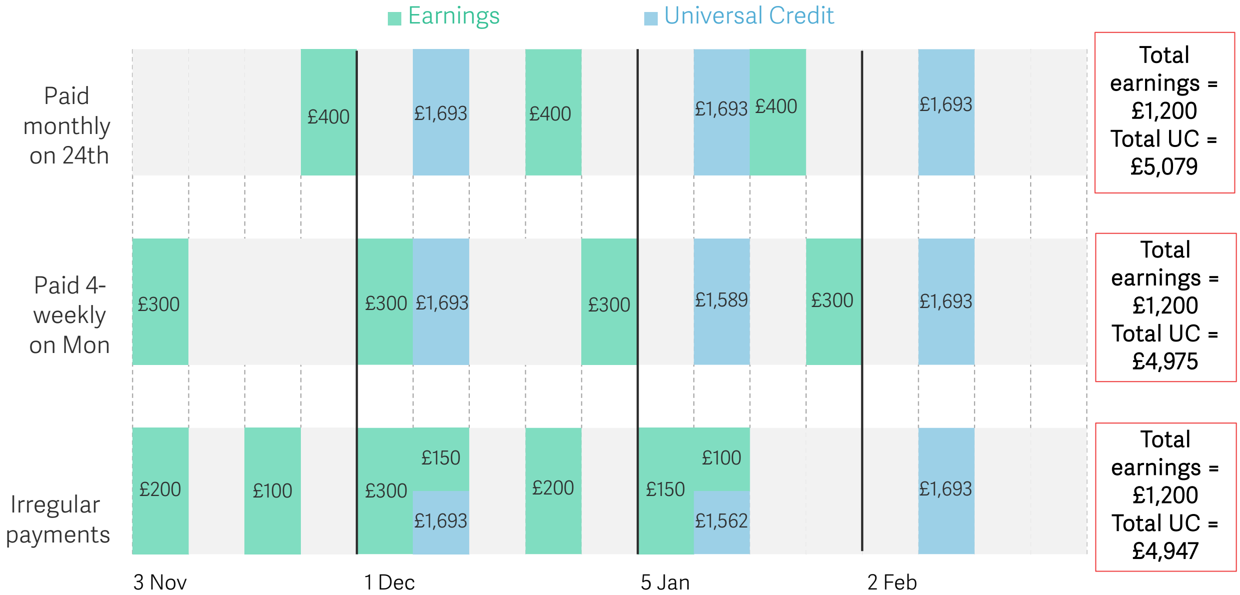
Figure 3 illustrates the point by showing how three hypothetical single parents, all earning £1,200 from employment over a three-month period, fare under the UC system. The parent with a steady monthly salary sees no change in their UC income month-to-month. In contrast, the other two parents are penalised in two ways.

- First, the total take-home income including UC over the period is £104 lower for the parent paid four-weekly, and £131 lower for the parent with irregular earnings, than for the parent paid a steady monthly salary, despite them having the same gross earnings over the three months. This is because higher earnings in certain months means they exceed their work allowance (the amount they can earn before UC starts to be withdrawn) in that month, leading to UC payments being tapered in the subsequent month, whereas the monthly-paid parent earns less than their work allowance in each monthly assessment period.[35]

- Second, the two single parents not paid monthly experience additional volatility in their income thanks to UC: the one paid on a four-weekly cycle sees their monthly UC payments fluctuate by £104 over this period, and the parent with irregular earnings sees their total monthly income fluctuate by £131.

FIGURE 3: **Universal Credit can cause or exacerbate income volatility and provide lower awards for workers who are not paid monthly**

Example of three months of Universal Credit payments for hypothetical single parents earning £1,200 over three months in different payment patterns; 2025-26



NOTES: Shows a single parent with a child born after April 2017 and a housing element of £1,000 per month. Each column represents a seven day period. Each vertical line marks the start of the UC assessment period.
SOURCE: RF calculations

So, despite UC's professed aim to promote budgeting skills and responsibility, UC's structure exacerbates income volatility for those who already have volatile earnings, while introducing volatility for those with regular payment cycles that operate on a weekly, rather than monthly, cycle. This is not what we would ideally want to see from a safety net benefit intended for some of the poorest families in the country: income volatility can make it difficult to budget and plan for the future, can increase stress,

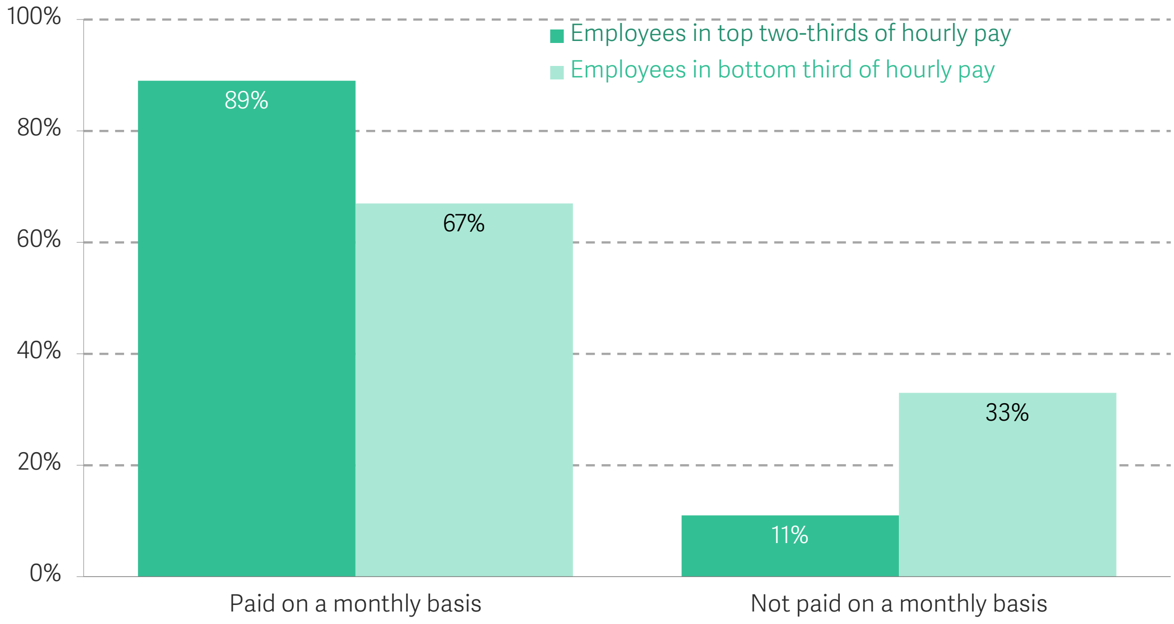
35 At higher levels of earnings, it is possible for people with volatile earnings to get higher UC awards than those with the same level of earnings but paid at the same rate each month. This happens if earnings are high enough in one month to reduce the next month's UC award to zero (unless it is high enough to hit the surplus earnings rule - £2,500 above the point where UC stops).

and can lead to financial costs, such as fees for falling behind on bills, higher credit and insurance costs, and missed opportunities to benefit from cost-effective financial products such as direct debits or annual payments.[36]

And this is not a minor problem: as Figure 4 shows, monthly payments are not the norm for a large share of those on lower pay.[37] As the chart makes clear, employees in the lowest hourly pay tertile are less likely than other workers to be paid monthly (67 per cent, compared to 89 per cent), leaving one-third (33 per cent) of lower-paid workers with payment cycles based on weeks or other patterns.[38] And this does not include the self-employed, who are even more likely to have non-standard earnings patterns than employees.[39]

FIGURE 4: **One-third of lower-paid workers are not paid on a monthly basis**

Proportion of employees with monthly or non-monthly pay cycles, by hourly pay tertiles: UK, April 2025.



SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.

Furthermore, research shows that the majority of all employees face some level of earnings volatility from month-to-month: among those employed in consecutive months in the period between April 2014 and March 2019, almost three-in-ten (29 per cent) saw their earnings change by up to 10 per cent; another one-in-eight (13 per cent) saw

36 A Clark & S Otulana, Fluctuation Nation: Lifting the lid on the millions of people managing on a volatile income, Nest Insight, 2024.
37 It is difficult to use public data to estimate what fraction of UC recipients are on a monthly earnings cycle, so our facts refer to all low-paid workers.
38 For more on earnings volatility, see: M Brewer, N Cominetti & S Jenkins, Unstable pay: New estimates of earnings volatility in the UK, Resolution Foundation, March 2025, https://doi.org/10.63492/mbv258;
39 See Work and Pensions Committee, Universal Credit: supporting self-employment, May 2018; A Clark & S Otulana, Fluctuation Nation: Lifting the lid on the millions of people managing on a volatile income, Nest Insight, 2024.

changes of up to 25 per cent; and a further 15 per cent saw changes of more than 25 per cent. By contrast, only four-in-ten (43 per cent) workers saw effectively no change in monthly earnings.[40] Where these workers claim UC, monthly assessments can increase the volatility in total monthly income where a low UC award in the month following a month of higher earnings coincides with lower earnings in that month.

Increasing awareness of UC income fluctuations could help claimants budget. Parents from Changing Realities set out how fluctuations to their UC created additional strains, while they often struggled to predict how or by how much UC would change month by month:

> *"The unpredictability of how much I will receive in UC each month adds to my anxiety. I cannot budget until 4 days before I receive the monthly payment".*

Bessie J, Universal Credit Review Big Question, August 2025

> *"Regular reliable payments provide more than just financial support. They offer security, stability, and the ability to plan ahead. There is no ability to plan ahead on UC."*

Beverly W, Universal Credit Review Big Question, August 2025

It may be possible for DWP to help improve claimants' understanding of these features of UC. For those on regular but non-monthly payment schedules, the UC journal could provide an alert for when a specific month's UC payment is expected to be lower due to extra pay packets falling in the previous assessment period. And for those with irregular earnings, awareness of future UC payments could be improved by adding a simple calculator to the online UC portal that allows claimants to estimate their next month's UC payment by inputting their expected earnings in the current assessment period.

Incorporating these changes into the UC journal would involve some capital costs to set up, but the coding required would be relatively simple so the costs should be negligible.

Better aligning UC assessment periods with earnings patterns would be a major improvement

A more comprehensive solution to the volatility and unfairness caused for people with regular earnings but who are not paid on a monthly cycle would be to allow people to choose a four-weekly rather than a monthly assessment period. If people paid weekly (or

40 M Brewer, N Cominetti & S Jenkins, Unstable pay: New estimates of earnings volatility in the UK, Resolution Foundation, March 2025, https://doi.org/10.63492/mbv258. These facts relate to pre-tax earnings, and 'per cent' here refers to the 'arc percentage change', a variation on the standard definition of 'percentage' that allows calculations of changes from £0.

multiples thereof) could choose a four-weekly assessment cycle, then those with stable (weekly) pay would no longer be penalised with lower overall awards than someone paid the same overall level of earnings but on a monthly cycle, and would also have stable (four-weekly) awards of UC.

So far, DWP has expressed reluctance to do this, both on technical and policy grounds. On the technical side, a senior DWP official has stated that changing assessment period lengths would be "nigh on impossible now because of where we are, given so much hangs off that monthly assessment period in terms of the rest of the system design".[41] On the policy side, the previous Government echoed arguments made at the time of UC's introduction, that monthly assessment and payment periods were "fundamental parts of the design, reflecting payment patterns in the world of work where the majority of people are paid monthly" and that "[e]nsuring similarities between paid employment and receiving benefits eliminates an important barrier which could prevent claimants from adjusting to paid employment." [42] The current Government has stated that there are "currently no plans to change Universal Credit assessment periods".[43]

But, as we have shown, both arguments undervalue the issues that arise when earnings misalign with assessment periods, and the reality that a third of lower-paid workers are not paid on a monthly cycle (as shown in Figure 4). Moreover, DWP has previously made changes to the way income is counted in assessment periods following legal challenges. In 2020, four UC recipients brought a case against the Department arguing that early payments of earnings when usual payment days fell on a weekend or bank holiday could mean two pay packets were counted in a single assessment period, and that this caused a loss of UC income as well as budgeting issues. Following this case, DWP was required to amend the UC regulations to allow earnings payments to be reallocated to a different assessment period so that monthly-paid employees could maintain a regular payment cycle.[44] This provision does not apply to those with earnings paid other than monthly, but it illustrates that changes can be made when DWP is legally obliged to make them.

The five-week wait and misalignments between earnings cycles and the monthly assessment period are significant flaws in the design of UC that make budgeting harder for claimants. Table 1 summarises our recommendations to address these flaws. On grounds of fairness (between those who are and are not paid on a monthly basis) and of restoring the principle of security of income in the benefit system, the Government should look again at how UC can be updated to allow choice around the length of assessment periods. This may well have some cost and require work, but it would

41 Work and Pensions Committee, Oral evidence: Universal Credit and childcare costs, April 2022.
42 Parliament, Universal Credit: Question for Department for Work and Pensions (UIN 85328), December 2021.
43 UK Parliament, Universal Credit: Question for Department for Work and Pensions (UIN 40875), March 2025.
44 Secretary of State for Work and Pensions v Johnson & Others [2020] EWCA Civ 778.

significantly improve the experience of claiming UC for those with regular but non-monthly earnings. It would, however, not necessarily solve the issue of excess volatility in UC payments for those with irregular or unpredictable earnings. We consider these claimants in the next section when looking at UC's interaction with self-employment.

In this section we have considered how problems arising from UC's monthly assessment period could be addressed to enhance income stability, both through improved information for claimants and through changes to the benefit's structure. These recommendations are summarised in Table 1. In the next section, we turn to how UC interacts with work and the barriers to work that remain.

TABLE 1: **Summary of recommendations to improve income stability for UC claimants**

Policy problem	Recommendation
Five-week wait causes large income gap at start of claim	Duty placed on advisors to alert claimants to Backdating of up to a month by default Discretionary grants
Monthly assessment period shortchanges and causes cash flow problems for those not paid on monthly cycle	Journal alert when claimants likely to be paid twice in an assessment period Allow claimants to choose a 4-weekly assessment period

Section 3

Smoothing interactions with work

> *"It's the uncertainty for me. The fear of losing support if I work more makes me very cautious in how I engage with the system. Instead of feeling encouraged to progress, I often feel anxious and unsure."*

Ollie U, Universal Credit Review Big Question, November 2025

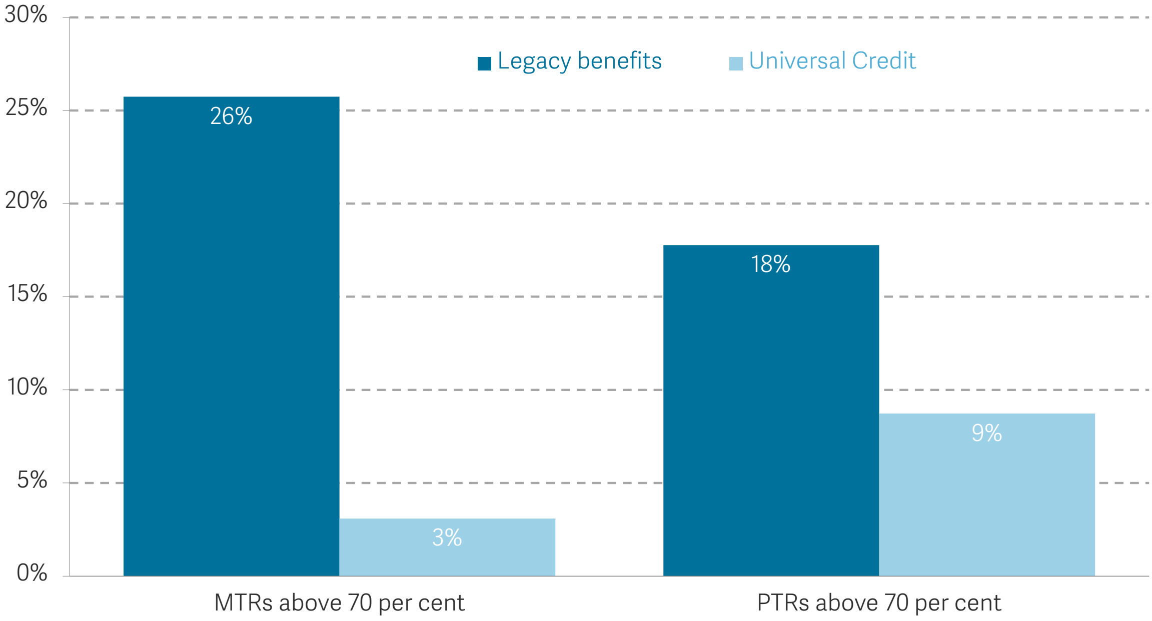
From its conception, UC had many objectives but arguably first among equals was the aim to 'make work pay'. The white paper published at the time of UC's announcement in 2010 outlined that UC would do this in two ways: by reducing the number of workless households facing participation tax rates (PTRs: how much of a worker's total gross earnings are lost to taxes and benefit withdrawals) above 70 per cent; and by reducing the number of workers facing very high marginal effective tax rates (METRs: how much of an additional pound of gross earnings is lost to taxes and benefit withdrawals).[45]

UC has been mostly successful in reducing the instances of very high PTRs and METRs, as shown in Figure 5. This was achieved through the introduction of the single taper rate, rather than withdrawing multiple benefits concurrently, as well as the eradication of the 100 per cent taper rate which the legacy benefit system applied to JSA and IS claimants working short hours. This ensures that the vast majority of UC claimants are financially better off in work than out, and that they will be better off if they work more. Of course, it is not the case that UC has unambiguously strengthened work incentives for all: some people have higher METRs on UC than they would have done under the legacy benefits system.[46]

45 DWP, Universal Credit: welfare that works, November 2010.
46 See: A Clegg, In credit? Assessing where Universal Credit's long roll-out has left the benefit system and the country, Resolution Foundation, April 2024, https://doi.org/10.63492/ejn7873; S Ray-Chaudhuri & T Waters, Universal Credit: incomes, incentives and the remaining roll-out, Institute for Fiscal Studies, June 2024, https://doi.org/10.1920/re.ifs.2024.0322.

FIGURE 5: **Universal Credit has been successful in reducing very high METRs and PTRs**

Proportion of workers eligible for a legacy benefit or Universal Credit facing marginal effective tax rates and participation tax rates above 70 per cent, under the legacy system and Universal Credit: UK, 2024-25



NOTES: Models entitlement under both systems for all workers eligible for support under at least one system. Assumes full take-up.
SOURCE: RF analysis of DWP Family Resources Survey using the IPPR tax-benefit model.

But there are still sharp edges in the system that can lead to barriers to people working, working more or progressing in employment. Changing Realities participants and welfare rights advisers told us about particular challenges for two key groups: the self-employed, and parents with childcare costs.[47] So, what changes can be made to UC to smooth the journey into work for people in these groups, and to help them remain in work?

Universal Credit may be discouraging self-employment

UC's reconfiguration of the benefit system in 2013 changed the treatment of self-employed people significantly. When Working Tax Credit (WTC) was introduced in 2003, the self-employed were subject to only light touch scrutiny, with people simply declaring that their self-employment met the required working hours to be eligible. This was tightened up from 2015, when HMRC introduced rules that WTC claimants must be able to show that their self-employment was structured, regular and ongoing, and done with the aim of achieving a profit.[48] HMRC began asking self-employed claimants to provide

47 There are issues elsewhere in the welfare system overall that can lead to weak work incentives. These include the cliff-edge effect of losing entitlement to Free School Meals, free prescriptions and (in Scotland), the Scottish Child Payment, and the way that Council Tax Reduction is withdrawn as incomes rise at the same time as UC awards fall.
48 HM Revenue and Customs, Revenue and Customs Brief 7 (2015): new rules for the self-employed claiming Working Tax Credit, March 2015.

evidence that their self-employment met these criteria if their reported income from self-employment was less than their reported working hours multiplied by the National Minimum Wage (NMW). The required evidence could be receipts and expenses, records of sales and purchases, a business plan, or cash flow projections. These checks were carried out at HMRC's discretion and were not performed automatically for all claimants whose self-employed income fell below the equivalent of the NMW.

The level of scrutiny of self-employed claimants was ramped up under UC in two key ways. First, every claimant declaring that they are self-employed goes through a 'gainful self-employment' (GSE) test at the start of their claim, or after becoming self-employed.[49] They are interviewed by a work coach, who will decide if they overcome this hurdle. If they fail the test, claimants are placed in the 'intensive work search' conditionality group and must show they are actively looking, and applying, for employed work. Second, if a claimant is found to be gainfully self-employed, a mechanism called the Minimum Income Floor (MIF) is applied to their UC calculation which assumes their self-employed income is equal to the National Living Wage multiplied by the hours they are expected to work (usually 35 hours per week) whenever their actual self-employed income falls below this threshold. This means that Universal Credit awards are tapered based on this assumed income whenever actual income is lower.

These measures have a number of aims. One is to prevent outright fraud, with the MIF limiting the extent to which self-employed claimants can under-report their earnings to DWP. More generally, the MIF also reduces the extent to which UC supports 'unproductive' self-employment, in that it gives self-employed UC recipients an incentive to get their earnings up to the equivalent of the national minimum wage or, if they can't, to take a job as an employee instead. The GSE test also reduces the instances where a UC recipient can try to avoid the sort of conditionality applied to unemployed UC recipients by claiming that they have a full-time but unprofitable self-employment job.

There are concerns from some that UC has gone too far in its checks and controls on self-employment: welfare rights advisors told us that many claimants find UC inimical to self-employment and either do not try that form of work or, if already self-employed, simply do not claim. Some of the Changing Realities participants agreed.

> *"On interactions with employment I would just say that the system needs to be better set up for the nature of modern work... many will take on some self-employed work."*

Frankie W, Changing Realities Diary entry, December 2025

49 To be classed as 'gainfully self-employed', a claimant must show that this their work is their main employment, is organised and regular, and is carried out with a view to making a profit.

> *"I'd like the way they treat self-employment to change. With my health conditions, self-employment is realistically the only earning option available to me."*
>
> **Al P, Universal Credit Review Big Question, October 2025**

Given this, DWP may want to look again at how UC can better encourage those out of work to try or remain in self-employment, especially those who may have barriers to entering standard employment.

For many self-employed UC claimants, self-employment is likely to be their only viable form of employment: two-fifths (37 per cent) of self-employed Universal Credit claimants report that they chose that way of working due to personal circumstances, including 24 per cent who were working around childcare or other caring responsibilities and 12 per cent who were working around a health issue.[50]

Allowing discretionary extensions of the start-up period could prevent potentially viable self-employment from being cut short

As noted above, the purpose of the MIF is to prevent unproductive self-employment from being supported, to prevent fraud, and to close loopholes for people to avoid conditionality. But arguably it chokes off some viable self-employment.

The MIF does not apply for the first 12 months of self-employment, known as the start-up period, but research suggests that the length of time for self-employment to become established varies widely between sectors, and that 12 months may not be long enough in many circumstances to enable a sole practitioner to get off the ground.[51] A particularly problematic outcome from the current configuration of the MIF and the 12-month start-up period would be when someone's self-employment is not profitable after 12 months but could be if they were allowed a little more time before the MIF was imposed. In this circumstance, someone who is a few months away from achieving sustainable profitability may be (financially) forced to give up their self-employment when the MIF begins.

A simple solution would be to allow extensions of the start-up period at the discretion of work coaches, following an interview after 12-months of self-employment in a mirror of the initial GSE test. Claimants who could demonstrate that their self-employment was growing and could achieve sustainable profitability in the future could be granted

50 DWP, Research with self-employed Universal Credit claimants: Wave 1, April 2024.
51 J Cribb and X Xu, Going solo: how starting solo self-employment affects incomes and well-being, Institute for Fiscal Studies, July 2020, https://doi.org/10.1920/wp.ifs.2020.2320; R Sainsbury & A Corden, Self-employment, tax credits and the move to Universal Credit, DWP, 2013.

extensions to the start-up period, while those who could not evidence that would either be subject to the MIF or no longer considered as gainfully self-employed.

Allowing self-employed people to choose a three-monthly assessment period would reduce income volatility and make the MIF fairer

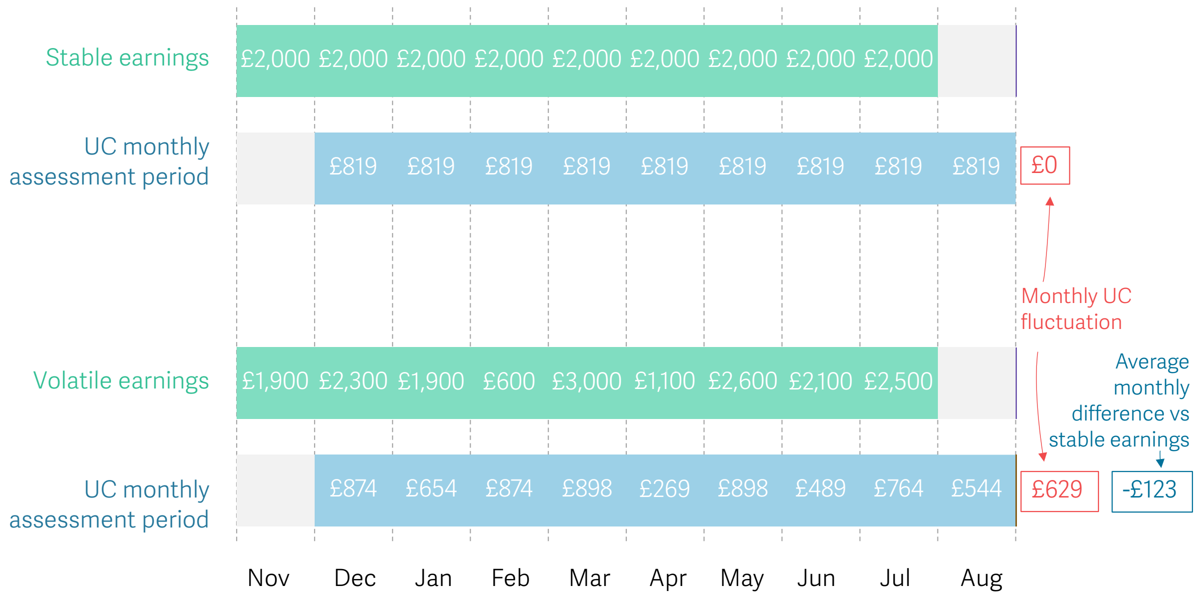
Alongside limiting opportunities to give self-employment a good go, the MIF is also overly rigid, allowing little leeway for the irregularities and volatility of self-employment. Self-employment income and expenses can fluctuate significantly from month to month (sometimes due to factors out of the control of the claimant, such as illness or unpaid invoices), so the imposition of the MIF as soon as a month's earnings fall below the threshold may be overly harsh, leading to lower awards than a claimant with the same annual earnings but received uniformly (an example is given in Figure 6). DWP research shows that claimants with fluctuating incomes, which claimants see as "one of the main aspects of being self-employed" and often not something they can control, struggle when the MIF is imposed following months of low earnings and have to use savings, borrow money or refrain from paying bills to cope.[52]

We showed in Section 2 that those with fluctuating earnings can end up with lower total awards than someone with the same level of earnings paid at a constant monthly level, and will have increased income volatility, thanks to UC, both because of the monthly assessment period.[53] Self-employed people are more likely to have irregular earnings patterns than employees, and volatility in their earnings can be penalised by the MIF.[54] Figure 6 shows monthly UC awards for two self-employed single parents, one with stable earnings and a self-employed person with volatile earnings, each earning a total of £18,000 over a nine-month period. On average, the parent with volatile earnings has monthly UC awards that are £123 lower than those for the stable earner, despite earning the same across the whole period. This is because their monthly earnings fluctuate around the MIF.

52 DWP, Exploratory qualitative research into the early experiences of the Minimum Income Floor (MIF), October 2024.
53 Work and Pensions Committee, Universal Credit: supporting self-employment, May 2018; A Clark & S Otulana, Fluctuation Nation: Lifting the lid on the millions of people managing on a volatile income, Nest Insight, 2024.
54 J Athow, Why is measuring self-employed income so hard?, Office for National Statistics, August 2017; DWP, Research with self-employed Universal Credit claimants: Wave 1, April 2024

FIGURE 6: **Self-employed claimants with volatile earnings can be penalised by the Minimum Income Floor**

Monthly Universal Credit awards for hypothetical self-employed single parents earning £18,000 over nine months, with stable and volatile earnings: UK, 2025-26



NOTES: Shows a single parent with a child born after April 2017 and a housing element of £1,000 per month. Monthly UC fluctuation shows the difference between the largest and smallest UC award over the period.
SOURCE: RF calculations.

Some self-employed Changing Realities participants reported struggling with how UC deals with fluctuating income:

> *"[I am] self-employed, so a regular income from work never happens... Were I able to work regularly, the first £673 of my income is not deducted from universal credit. If I earned £2k in August, £2k in October and £2k in November, say, I would lose at least three months' universal credit (I am not sure of the exact calculation). Someone earning £500 a month every month would earn the same amount over the year and lose nothing."*

Al P, Universal Credit Review Big Question, June 2025

> *"Both my partner and I are freelance artists, and our fluctuating income causes so many problems. Often we don't earn our Minimum Income Floor each month, but our payment assumes that we have. And then we will have a payment which is way over and then we're penalised for earning too much in one lump sum. It's a constant juggle of saving money for the months we aren't paid."*

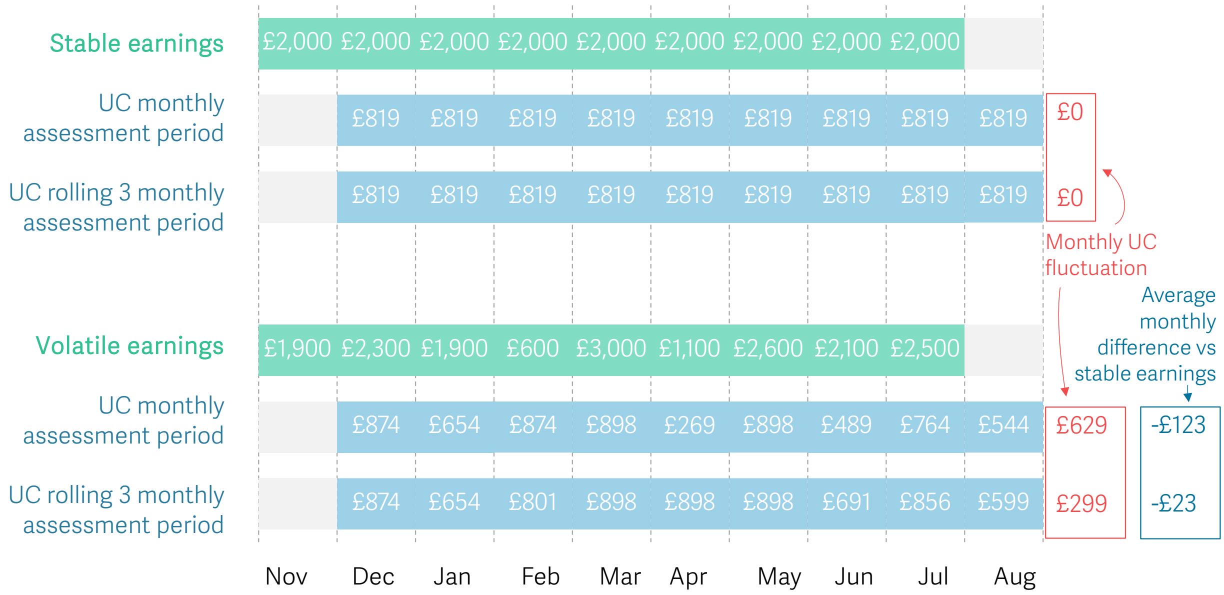
Florrie W, Changing Realities Big Question, May 2025

For some claimants, then, a system where UC looks at self-employment earnings each month and then applies the MIF if the earnings are too low is out of step with the nature of their business, which has peaks and troughs over periods much longer than a month. This suggests that lengthening the assessment period could reduce some of this unfairness. For example, returning to the WTC system of assessing eligibility based on projected earnings over a tax year would reduce a considerable amount of the volatility described above, but would come with significant drawbacks: if calculated based on projected earnings, it would reintroduce the troublesome large overpayments that UC has been successful in eliminating; if based on actual earnings, it would mean people would have to wait a year or more before their awards matched their circumstances.

A viable improvement may lie somewhere in between the two extremes of monthly and annual assessment. For example, self-employed people could be allowed to choose a three-monthly assessment period, where UC is still paid monthly but entitlement is calculated based on average earnings over the previous three months, with the option to switch back to monthly assessments if income drops for a sustained period. This would reduce income volatility compared to monthly assessments. It would also enable calculations of the MIF to occur over three months, meaning people would not be unfairly penalised if their income drops temporarily. Figure 7 illustrates how moving to a three-month rolling assessment reduces volatility and the discrepancy in total UC awards for the self-employed claimant with volatile earnings from Figure 6. The fluctuation in UC awards across the nine-month period falls from £629 to £299, while the discrepancy in UC awards is reduced from an average of £123 per month to £23 per month, leaving the claimant £900 better off across the period than if they had monthly assessments.

FIGURE 7: **Moving to a three-monthly rolling assessment period reduces volatility and discrepancies in UC awards between volatile earners and stable earners**

Monthly Universal Credit awards for hypothetical self-employed single parents earning £18,000 over nine months, with stable and volatile earnings: UK, 2025-26



NOTES: Shows a single parent with a child born after April 2017 and a housing element of £1,000 per month. Monthly UC fluctuation shows the difference between the largest and smallest UC award over the period.
SOURCE: RF calculations.

The fact that a longer assessment period would reduce the (arguably unfair) discrepancies in UC awards between those with stable and volatile earnings means there would be some ongoing AME cost to moving to a rolling three-monthly assessment period. However, if these changes also enabled more people already claiming UC to begin or continue in self-employment, it could result in savings through reduced UC awards. We therefore estimate that the additional annual AME cost would be less than £100 million.

The need to pay childcare costs upfront hinders some parents from taking on (more) work

Today, close to half (46 per cent) of families on UC have dependent children; for those with younger children in particular, childcare costs can undermine UC's promise to 'make work pay'.[55]

Childcare support offered as part of UC differs from the legacy system in three keys ways. Two of these make UC childcare support more generous than it was in the legacy system: first, parents that work any number of hours are eligible for support,

55 Source: RF analysis of DWP, StatXplore.

not just those working 16 hours or more as was the case for tax credits, and, second, the maximum childcare costs covered is higher in UC than it was in tax credits.[56] The third change, however, has caused significant problems for claimants: as with all other UC elements, childcare support is paid in arrears, meaning that claimants pay their childcare costs up front and then are reimbursed by DWP monthly.

This is different from tax credits, where support could be paid in advance (although with the drawback that this could lead to very large overpayments if a family was subsequently determined not to have been eligible). The policy rationale for paying childcare support in arrears was clear: to avoid the high levels of childcare-related overpayments, fraud and error that dogged the tax credits system in the past.[57] Reducing the risk of overpayments will help benefit claimants, but paying childcare costs in arrears also hinders some UC claimants from entering work or increasing their hours, because they simply do not have the money to pay the childcare costs upfront.[58] According to DWP's own research, one-third (33 per cent) of non-working parents in receipt of UC say that they cannot afford upfront childcare costs, and the figure is not significantly lower for families that are in work but do not make use of UC childcare to help them increase their hours (27 per cent).[59] As one of the Changing Realities participants said:

> *"One of the biggest challenges in the current UC system is that parents are required to pay childcare costs upfront and then wait weeks to be reimbursed. For many low-income families, especially single parents, this is simply unmanageable... It undermines the very goal of UC—to make work pay—and leaves many parents in the heartbreaking position of questioning whether they can afford to keep working at all."*

Beauty, Department for Education roundtable, May 2025

56 In couples, both members of a couple need to be working, or one needs to be working and the other has limited capability for work or limited capability for work related activity status or be eligible for Carers Allowance to qualify for childcare support. The childcare element in UC initially covered up to 70 per cent of childcare costs under UC – the same as the legacy system – but this was raised to 85 per cent for UC claimants in 2016. The UC childcare element is also subject to caps which between 2005-06 and 2023-24 were frozen in cash terms at £646 per month of eligible expenses for families with one child and £1,108 for those with two or more. These limits were increased significantly in April 2023 and today stand at £1,032 a month for one child, and £1,769 for two or more children. The removal of the two-child limit from April 2026 will also apply to the maximum amount of childcare support available in UC, which will increase by £736 per month for each additional child above the current maximum cap for two children.

57 See, for example, Work and Pensions Committee, Universal credit and childcare costs, December 2022.

58 In some cases, parents have to pay childcare costs termly, not monthly, meaning an even larger upfront outlay.

59 DWP, Universal credit childcare costs support research, GOV.UK, October 2025, accessed 7 January 2026.

The part of the Flexible Support Fund that covers upfront childcare costs should be brought into the UC system

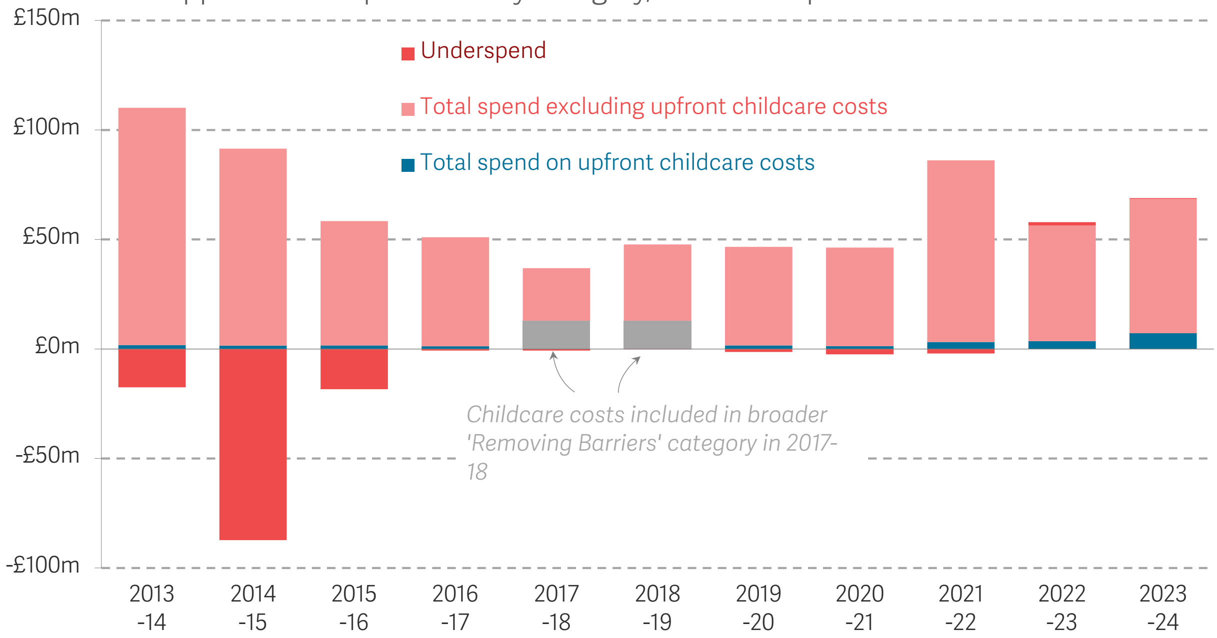
There is, in fact, already help for UC parents struggling to pay upfront childcare fees when they enter work (although not when they increase their hours): the Flexible Support Fund (FSF). The FSF was introduced in April 2011 and sits outside the UC system, but local Jobcentres Plus can use the fund to help UC claimants move into and stay in work. Work coaches can make grants from the FSF to cover costs such as travelling, training and work clothes for example, but also to pay the first month of childcare costs for UC claimants. Moreover, although the fund is discretionary, the guidance makes clear that any claimant making a legitimate request for support with upfront childcare costs will be awarded a grant.[60]

In practice, however, the fund appears to be a well-kept secret: no participant in the Changing Realities Big Ideas session who was asked about childcare support had any knowledge of the fund whatsoever. Added to this, as Figure 8 makes clear, only a very small part of the FSF has been spent on childcare costs in each year since 2013-14. The Government has acknowledged for several years that awareness is an issue,[61] and in its recent Child Poverty Strategy stated that: "[w]e know that the upfront childcare costs process is difficult for parents to navigate so we will streamline the process and ensure it is clear for parents who meet the eligibility criteria that they are entitled to upfront support, so they can be confident they will receive help".[62]

60 DWP, Flexible Support Fund: Guidance V32.0, Parliament UK Deposited Papers, accessed 7 January 2026.
61 Work and Pensions Committee, Universal credit and childcare costs, December 2022.
62 The Government's 2025 Child Poverty Strategy also contained a commitment to extend eligibility to parents returning to an existing job after parental leave. See: HM Government, Our children, our future: Tackling child poverty, CP 1449, December 2025 for further details.

FIGURE 8: **Only a very small share of the Flexible Support Fund is spent on childcare each year**

Flexible Support Fund expenditure by category, and underspend: GB



NOTES: Figures rounded to nearest £100,000. Northern Ireland operates the Adviser Discretion Fund, which functions similarly to the Flexible Support Fund in Great Britain.
SOURCE: RF analysis of Parliamentary Questions 199739, 150490, 131066, 155127; M Davies, Letter to the Work & Pensions Select Committee, October 2019; M Davies, Letter to the Work & Pensions Select Committee, December 2021; G Opperman, Letter to the Work & Pensions Select Committee, February 2023; J Churchill, Letter to the Work & Pensions Select Committee, March 2024; A McGovern, Letter to the Work & Pensions Select Committee, May 2025.

There is clearly action already being taken on this front: DWP officials have told us that it is doing work to raise awareness of the fund with work coaches, and to badge it more helpfully as 'upfront childcare support'. However, even if more claimants knew about the FSF, the fact that it operates outside of UC still creates some real frictions: those who wish to access the fund must currently pick up a paper form from a Jobcentre Plus, complete it and submit. Bringing the childcare advances element of the FSF into UC would entail technical changes to the system, but would allow the department both to signpost to the support available to claimants far more easily than is currently the case (there could, for example, be a button to press that would take claimants to information on eligibility and application), as well as increase uptake by doing away with old-fashioned paper forms.

When it comes to costs, increased FSF take-up for upfront childcare costs would mean additional DEL spending (which may require cuts elsewhere) and there would clearly need to be some minor DEL expenditure to code up the required systems change. The average annual spend on upfront childcare costs between 2021-22 and 2023-24 was £4.7 million. Even if this annual spend increased ten-fold, costs would remain below £50 million.

Extending UC childcare run-ons to up to twelve weeks would help parents and children alike

Alongside aiming to reduce fraud, DWP has also pointed out that a system that reimburses actual childcare costs paid is to the benefit of UC claimants too, as it "greatly reduces the risk to parents of having to repay overpayments, as is present in the [Working Tax Credit] system".[63] However, it is highly disruptive to both parents and children if a parent loses their job and UC childcare support ends mid-term, as the child may have to be pulled out of their childcare setting. Childcare places, once given up, can take a significant time to reacquire, and this can hinder parents looking for and taking new jobs. A run-on to the end of the term would avoid this disruption and give parents a window to find another job. One of the Changing Realities participants talked about the significant impact this scenario had on them and their child:

> *"I lost my job recently and in between that and getting a new job my childcare costs were not reimbursed. So I had less money but no support. The implication seems to be well, you didn't need the childcare so you should cancel it but places are in short supply and if I'd cancelled it I'd go to the back of the queue when I did find a job."*

Frankie W, Changing Realities Big Question, November 2024

In fact, DWP already makes some provision for this eventuality, allowing a run-on so long as the claimant lost their job in the current or previous assessment period.[64] But a simple extension of this rule to up to 13 weeks would ensure that anyone who lost their job in the earliest weeks of a school term would be assured that their child could remain in the setting to the end – clearly a good outcome not just for the parent but for the child too. And there is added logic to such an extension. First, industry figures suggest the average worker takes three to four months to find a new job. Although jobs in lower-paying sectors can often be found more quickly than that, parents have the additional challenge of finding a job that fits in with available childcare, so some additional leniency would give parents more time to find a new job while keeping their children in their current childcare setting.[65] Second, there is a simple question of equity: a run-on of this length is allowed in the Tax-Free Childcare (TFC) system that serves families on middle and higher incomes.[66]

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63 Work and Pensions Committee, Universal credit and childcare costs, December 2022.
64 DWP, Updated Universal Credit Guidance 2025: Childcare costs: Guidance, Deposited Paper DEP2025-0769, November 2025, accessed 23 January 2026.
65 A Fennel, Job search statistics in the UK: Everything you need to know about UK job search, March 2025, accessed 7 January 2026.
66 TFC rules are that eligibility must be confirmed every three months. So, technically, eligibility continues until the next reconfirmation date, whenever that might be. Parents can continue using any money in the account, including the government top-up, during that time. The only time the government contribution is clawed back is if the parent removes the parental contribution from the account.

Further, the additional AME cost of extending childcare support run-ons to 13 weeks is likely to be negligible. Take-up of UC childcare support is low: the latest data shows only 190,000 families receiving a UC childcare element in May 2025, at an average of £420 per month. And it is estimated that around 3 per cent of the working population overall and 2 per cent of those with children aged under 11 leave their jobs each quarter.[67] Even if recipients of UC childcare support lost jobs at double this rate and all of those who lost their jobs continued to receive support for the full length of the extended run-on, the annual additional AME cost would likely be below £20 million per year.[68]

Utilising the Tax-Free Childcare system could prove a neater long-term fix for UC childcare

The TFC system is a useful model to look to, not just when it comes to the issue of run-ons, but also the first problem we considered: the requirement that UC claimants pay childcare costs in advance.[69] Under the TFC system, a 20 per cent public subsidy is paid into a dedicated TFC account as soon as the parent has deposited their funds and can only be used to pay childcare costs to a registered provider. As a result, it allows parents to receive their TFC childcare support in advance while ensuring that the money is used for that purpose only.

So, why not use the TFC architecture for UC claimants too?[70] Plausibly, the Government could pay the childcare element of UC into the equivalent of a TFC account for UC claimants once they had deposited their required contribution of 15 per cent of the overall cost that is not covered by UC, and this could be used to pay costs upfront. UC claimants would have to update their circumstances every three months as TFC users currently do and would be subject to the same run-on rules as TFC.

This proposal has many virtues: it would solve the two key problems with UC childcare support we have identified in this report, but it would also mark a move towards a more unified system of childcare support. There are currently three different systems of childcare support, run by three separate government departments, which parents must navigate, making it difficult to determine upfront which configuration of support is most financially advantageous.[71] Unifying UC childcare support and TFC would benefit parents who experience an income change that takes them into the other system (a transition that is currently very clunky), would begin to address the fragmented and confusing current systems of childcare support (which the Government itself acknowledges as

67 Source: RF analysis of ONS, Labour Force Survey, 2017 and 2019. We use pre-pandemic data given the recent data problems with LFS. There is no parent variable available in the LFS for 2018.
68 Source: RF analysis of ONS, Labour Force Survey, 2017 and 2019.
69 For more information about the TFC system, see: GOV.UK, Tax-Free Childcare [accessed 20/1/26]
70 We thank Lydia Hodges of Coram Family and Childcare for this idea and for allowing us to explore it further and present it in this paper. We also acknowledge a similar suggestion made by Changing Realities participant Frankie W, who pointed out that Student Finance England use the Childcare Grant Payment System to pay childcare up front to the provider.
71 Other than UC childcare support and TFC, there is also the free entitlement offers for parents of pre-primary school children. ,

problematic),[72] and would move towards a more integrated programme long advocated for by childcare experts.[73] This proposal could result in increased AME spending to the extent that it boosted take-up of childcare support but this would likely be relatively small. For example, if the number of families claiming childcare support increased by 5 per cent, we estimate this would only cost around £50 million per year.[74]

This section has considered how changes can be made to better align UC with self-employment, and to ensure that the structure of childcare support is not a barrier to parents entering work or working more. Table 2 summarises our recommendations. In the next section, we turn to how claimants are treated within the UC system and their experiences of claiming and explore changes that can be made to restore trust in the system and ensure claimants are treated with dignity and respect.

TABLE 2: **Summary of recommendations to smooth interactions with work for UC claimants**

Policy problem	Recommendation
Potentially gainful self-employment curtailed at end of 12 months	Allow discretionary extensions of the MIF startup period
Volatile income of self-employed claimants leads to UC shortfalls	Allow self-employed claimants to choose a rolling 3-monthly assessment period
Paying childcare costs upfront can be prohibitive	Bring childcare element of FSF into UC Adapt TFC infrastructure to pay UC childcare support upfront
Losing a job mid-term causes disruption	Extend UC childcare run-ons to up to 13 weeks

72 Department for Education, Giving every child the best start in life: Policy paper, updated September 2025, accessed 12 January 2026.
73 See, for example: C Farquharson, Complicated, costly and constantly changing: The childcare system in England, Institute for Fiscal Studies, September 2021, https://doi.org/10.1920/co.ifs.2024.0165; Coram Family and Childcare Trust, Early education entitlements – the disadvantage gap, September 2025.
74 190,000 families claimed UC childcare support in May 2025, at an average of £420 per month. If an additional 9,500 families claimed (5 per cent) at the same average amount, this would cost £48 million per year. Source: RF analysis of DWP, Universal Credit childcare element statistics, March 2021 to May 2025, December 2025.

Section 4

Increasing trust in the UC system

> *"The narrative of 'everyone being on benefits is lazy' is an awful undertone. … People are trying their absolute best to keep their family unit together, and the world would be a much better place if we could all take a moment to appreciate one another, rather than judging people."*
>
> **Mollie U, Universal Credit Review Big Question, November 2025**

In its earliest days, proponents of UC asserted that the new benefit would make life easier for claimants.[75] They argued that bringing together six previous benefits, each with their own rules, application processes and payment systems, would simplify life considerably, and the shift to using RTI data for earnings would reduce the reporting burden for claimants. But the introduction of UC came not just with these broadly welcomed changes but also featured other reforms that altered the relationship between claimants and the benefits system. More widespread conditionality requirements resulted in a higher degree of scrutiny for claimants than in the legacy benefits system;[76] the claimant commitment introduced a more transactional tone to a UC claim; and the politically-driven aspects of the new system (monthly payments supposedly mirroring the world of work, and the consolidated award allegedly boosting budgeting skills) hinted at a lack of understanding of the lived realities of so many on low incomes.[77]

Today, although 87 per cent of UC claimants say they are satisfied with the service they receive, suspicion, disrespect and misunderstanding still exists within a system that is designed to help people weather challenging times.[78] As Changing Realities participants attest, this has a number of practical consequences that significantly impede developing positive and productive relationships between those administering the system and

75 DWP, Universal Credit: Welfare that Works, November 2010.
76 Under the legacy benefits system, claimants of Tax Credits or Housing Benefit faced no conditionality requirements (provided they weren't claiming other benefits). The equivalent claimants are subject to conditionality rules in UC if they are earning below their Conditionality Earnings Threshold.
77 See, for example: DWP, A welfare state fit for the 21st century: Setting out a vision of Britain's welfare state, January 2014, in which the then Secretary of State for Work and Pensions Iain Duncan Smith said, "This, then, is the fundamental cultural change that Universal Credit delivers: welfare should be seen as no different from work itself. For those who are not employed but capable of doing so, whilst you may not have a job, the state supports you – you are 'in work to find work'. Through the 'claimant commitment', which deliberately mirrors a contract of employment, we are making this deal unequivocal."
78 DWP, Customer Experience Survey, Benefit Customers 2024 to 2025, September 2025.

those in receipt of UC. Claimants can be wary of engaging with support from DWP: for example, they may be reluctant to share information because they worry this may be to the detriment of their claim, and poor relationships can make claimants (more) unwell, thereby reducing their ability to engage with work.

> *"Understanding data monitoring, journal reviews, and sanctions is why I have come to my conclusions about UC being a punitive program and ... this impacts my openness during engagement tasks."*
>
> **Rosie V, Universal Credit Review Big Question, November 2025**

> *"The fact remains that if I wanted to make my [health] condition any worse, then I could do no better than to engage with the DWP."*
>
> **Beverly W, Universal Credit Review Big Question, November 2025**

These relational aspects of the UC system are of utmost importance to claimants: they often loomed far larger for Changing Realities participants than the financial and technical problems covered in the preceding sections.[79] All of which raises a critical question: how can trust in UC be rebuilt when the system has acquired such a poor reputation among a significant proportion of claimants? And how might the underpinning relationships between claimants and their frontline advisers be placed on a better footing?

DWP needs to improve communications with claimants so they can better understand their rights and their responsibilities

Building trust and improving relationships is not a straightforward enterprise, but studies have shown that one key feature of a trusted system is clear communication with users.[80] This is crucial for any service, but is especially important for the UC system if claimants are to understand entitlements, awards and the reasons for decisions that can have profound impacts on their lives.[81] Yet claimants often report that communications around UC are far from straightforward, and sometimes downright wrong.

79 See also: R Patrick, Living at the sharp end of socio-economic inequality: Everyday experiences of poverty and social security receipt, Oxford Open Economics 3(1), July 2024, https://doi.org/10.1093/ooec/odae010.
80 OECD, OECD Survey on Drivers of Trust in Public Institutions – 2024 Results: Building Trust in a Complex Policy Environment, February 2024, https://doi.org/10.1787/9a20554b-en.
81 J Tomlinson et al, Bureaucratic Justice in Universal Credit, Nuffield Foundation, October 2024.

> *"I want clear communication from Universal Credit. I [have been on] Universal Credit [for a] long time but still face difficulty understand[ing] their calculations."*

Ana Q, Universal Credit Review Big Question, November 2025

> *"I am new in the system, and I expect better communication to guide my family and I in our current circumstance. I have not received my payment since September and have received four contradicting reasons why they stopped it, making it difficult for me to understand and trust the process."*

Nicky G, Universal Credit Review Big Question, November 2025

Clear and timely information is key to building trust in the system, and could save money too

One issue that particularly vexes claimants is that UC award calculations are poorly presented and often very difficult to understand. This makes it hard to know if they are correct, or if working (more) is worthwhile. In the most recent DWP Customer Experience Survey, for example, 20 per cent of UC claimants said their decision had not been explained clearly, compared with just 6 per cent of Pension Credit (PC) claimants.[82] Of course, UC is a far more complex benefit than PC, but having made the choice to bring six benefits together in the UC system, it behoves the Department to work hard to explain its operation. For example, a much clearer screen in the journal could explain the various elements of an award and what they mean.[83]

A further issue that claimants frequently raise is that there is no explicit commitment on the part of DWP to respond to questions they pose in their UC journal in a certain amount of time. Relationally, this emphasises the power imbalance between claimants and the Department: claimants are expected to respond to requests in a certain number of days, but there is no mirror obligation placed on the system.[84] Committing to respond to queries in a reasonable number of days (which could be different for different types of enquiries) could make for far smoother working between DWP and claimants and could be a win for the Department financially too. In its recent assessment of DWP customer service, for example, the NAO found that 43 per cent of call time to DWP's telephony service for eight benefits (including UC) was "avoidable" and largely stemmed from follow-up questions from previous enquiries.[85]

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82 DWP, Customer Experience Survey: Benefit Customers 2023 to 2024, August 2025.
83 For an example of how this could be achieved, including mock ups, see: S Howes & K-M Jones, Computer says 'no!': Stage one, information provision, Child Poverty Action Group, May 2019.
84 H Parkes et al., Snakes and ladders: Tackling precarity in social security and employment support, IPPR, February 2024.
85 NAO, DWP customer service, July 2024.

> *"The decision makers seem to be shadowy figures to whom no one is able to speak directly. The decision makers also do not have to work to deadlines and if, for example, you are due a back payment from a decision maker then no one at Universal Credit is able to tell you when this will be."*

Zara N, Universal Credit Review Big Question, November 2025

Boosting benefit take-up through a full benefit check could be a win-win for claimants and DWP

> *"Universal Credit staff have also told me on the phone, that they are not there to advise the claimant of what they are entitled to."*

Zara N, Universal Credit Review Big Question, November 2025

As well as presenting existing communications more rationally and providing a right to response, DWP could also help claimants access their rights and truly signal that it is on their side by providing another type of often-needed information: a full benefit check. But Zara N hits the nail on the head in her comment above: DWP currently sees itself as a benefit administrator, and not – despite literally being the organisation that determines the rules of entitlement – a benefits adviser. Currently, the GOV.UK website lists a number of proprietary benefits calculators, which anyone can use to check eligibility and benefit entitlements, but claimants are not signposted to this at the point of a UC claim.[86] One very simple amendment to the existing system would be to add a link to the benefit checker websites onto the journal.

But the Government could go further still and provide a built-in benefits check for UC claimants once they are awarded the benefit or when their circumstances change. Boosting take-up of benefits is a desirable public policy goal: indeed, one of the arguments the Department made for bringing six legacy benefits together into UC was that this would result in more families receiving their full benefits entitlement, and changes such as these should be seen in that light. And DWP does have some form in this respect: it had a benefits adviser service that ran from 2008 to 2014 that was discontinued, in part because its scope was limited to legacy benefits only and was beset by technical issues and poor user design.[87] But system capabilities have improved immensely since that point, and this previous experience should not put the Department off from looking at this issue again.

86 HM Government, Benefits Calculators, accessed 13 January 2026.
87 The decision not to continue with the service is outlined in: DWP, DWP annual report and accounts 2013 to 2014, June 2014.

Clearer information about claimants' responsibilities is needed too

DWP must work harder to inform people not just about their rights, but their responsibilities too. Journal messages accumulate in an unstructured way, akin to an unmanaged email inbox, making it difficult for claimants to track correspondence and to identify messages that require action on their part. This can have profound consequences for claimants. Failure to provide timely information or attend a work coach interview when requested can lead to sanctions, for example, and confusing correspondence may mean that people miss these requirements.[88]

Rationalising the UC online account should be a priority for DWP, and one that could make managing a claim much easier for many. Suggestions abound: a central place where documentation and decisions are automatically stored and clearly labelled so that claimants and advisers can access this information easily would be a start; an effective sort function would help people find needed communications quickly; and a tab where communications requiring action from claimants are posted would simplify matters too.

An explicit channel for claimants to challenge UC decisions is much-needed...

If a UC claimant wishes to challenge a decision, they must ask DWP for a Mandatory Reconsideration (MR), and only after that can they appeal to a benefits tribunal.[89] But evidence from frontline workers suggests that claimants are often unable to exercise this right because they are not aware that they have a right to appeal, or are confused about the multiple ways they can do this (via the journal, by phone, by email or by a special form).[90]

But there is a simple fix for this problem which has some precedent. In recent years, a 'button' to apply for a UC advance was added to the UC interface to boost take-up, signposting and simplifying this facility for claimants. There is no reason why an equivalent 'MR button' or an 'MR page' in the journal could not be added to the system (although we recognise that there would need to be a number of questions claimants would need to answer first to winnow out applications that are not entitled to an MR). But in order for this to work for claimants who have had their claim closed, a new (and

88 DWP data shows that around 90 per cent of sanctions decisions are because the claimant does not attend a work-focused interview. Source: RF analysis of DWP, StatXplore. Evidence from Citizens Advice shows that poor communication from DWP makes it difficult for claimants to keep track of responsibilities such as work coach interviews: J Olejniczak & K Harrison, Found anything yet? Exploring the relationship between Universal Credit claimants and their work coaches, Citizens Advice, January 2025. There is also a wider question beyond the confines of this report about the appropriate role for conditionality in trying to build mutually supportive and trusting relationships, especially between vulnerable claimants and DWP.

89 Some parents in the Changing Realities project expressed a desire for MRs to be scrapped, as they thought they were being used to prevent people from making a formal appeal.

90 These issues were commonplace according to the welfare rights advisers who attended our roundtable in September 2025. For other frontline perspectives, see: B Akinosho, Reconsidering mandatory reconsideration: Is the system fit for purpose?, October 2025; S Howes & K-M Jones, Computer says 'No!' Stage one: Challenging decisions, Child Poverty Action Group, July 2019.

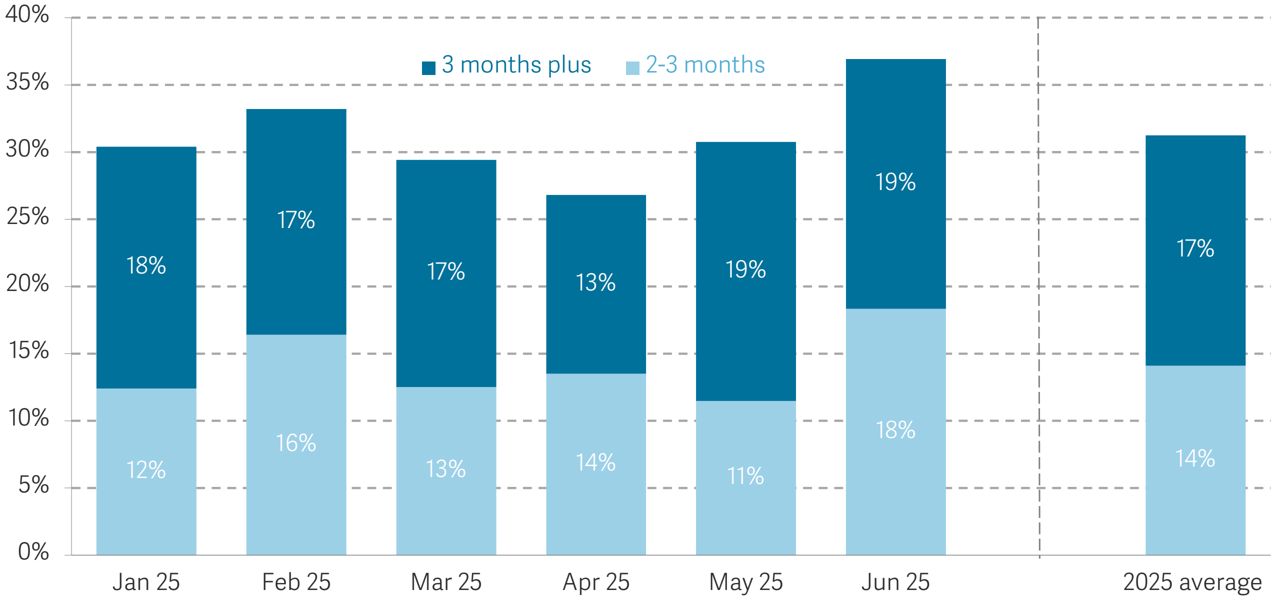
frequently requested) facility would also have to be added to the system to keep the journal open for a period after the claim has ended.

... as is a commitment to complete MRs within a specified timeframe

A further problem that is often flagged with the current MR system is that there is no requirement that an MR decision must be made within a specified period. This leaves claimants in limbo, both financially and emotionally. And for many, this can be a very long limbo indeed: one-in-seven (14 per cent) UC MRs took an average of two to three months to clear in the first six months of 2025 (the latest data available), and one-in-six (17 per cent) took three months-plus (see Figure 9).[91] Of course, speedy decisions are not necessarily good decisions, and so the Government should set reasonable expectations when it comes to the time required to clear a request for review, just as has been done by Social Security Scotland, which has committed to a 56-day time limit on Adult Disability Payment (ADP) and other Scottish benefit redeterminations.[92]

FIGURE 9: **Three-in-ten UC claimants requesting a Mandatory Reconsideration waited more than two months for a decision in the first half of 2025**

Proportion of UC Mandatory Reconsiderations cleared within certain time limits: UK



SOURCE: FOI2025/78247.

91 We thank Citizens Advice for agreeing to share this FOI data with us.
92 Social Security Scotland, Adult Disability Payment decision making guide, August 2025.

Claimants should be treated in a more respectful and sensitive manner by UC staff

Administrative competence and clarity are important for a trusted system, but the system must also respect the people it seeks to support and be underpinned by a commitment to ensuring dignified treatment at all times. This is especially important because a UC claim requires the state to ask many personal questions. These are for entirely legitimate reasons: claimants must disclose information about their finances, their relationships, and their health conditions, for example. But such questions would be uncomfortable for any of us at any point in our lives, and UC claimants are often more vulnerable than the average person (recent DWP research showed that one-fifth of UC claimants could be considered very vulnerable), or claiming the benefit because of some crisis in their life (loss of a job, relationship breakdown, a health issue and the like).[93] There are clearly better or worse ways of requesting necessary information from often vulnerable and stressed claimants, and the evidence we heard from Changing Realities participants suggest the current system too often falls short.

> *"I despise being [in] the benefit system because it makes me feel like a second-class citizen in the way I am treated by the Government and staff at the DWP with the intrusive checks and lack of empathy."*

Sia P, Universal Credit Review Big Question, November 2025

> *"From my experience [of] being migrated over to Universal Credit from ESA, I certainly was not impressed. At my interview in the Jobcentre, I was spoken to in a degrading way and made to feel as though I was trying to claim for something that I was not entitled to."*

Erik W, Universal Credit Review Big Question, November 2025

Given the personal nature of conversations that happen as part of a UC claim, it is very surprising to discover that only 30 per cent of Jobcentre Plus (JCP) offices have a private room for conversations.[94] One simple and cost-free way to ensure the privacy would be to move more work coach interviews online (there could be certain requirements attached to this: that claimants must have their cameras on, for example, and do the interview in a quiet place). In practice, though, the Government appears to be moving in the opposite direction at least with some conversations: it recently announced that it would move to more face-to-face Personal Independence Payment (PIP) and Work Capability

93 DWP, Survey of disadvantaged groups on Universal Credit covering: care experience, ex-offenders, homelessness and substance dependency, October 2025.
94 DWP, Freedom of Information Response FOI2024/26228: What percentage of job centres have private interview rooms?, April 2024.

Assessment (WCA) assessments given concerns that online or telephone assessments lead to more lenient decisions.[95]

But if this is the case, then DWP should commit to provide a confidential space in all JCP offices as a matter of some urgency. This could be undertaken as new premises are acquired or existing premises refitted, but the Government needs to set a realistic target for this important overhaul if the relationships between claimants and advisers are to be improved. Moreover, there is another simple change that could be made for minimal cost that would also help assessors know when extra privacy may be warranted, and that is to create a flag function on a claimant's journal which can be turned on if they have a particular vulnerability (for example, if they are a care leaver, a domestic violence survivor or have a serious mental health condition).

Centralising dignity in the UC system may require a wholesale culture change

Operational changes such as journal flags and private rooms in JCPs would go some way to building better relationships between claimants and the benefits system. But at the end of the day, it is organisational culture that really determines how people feel about the services with which they engage. In this regard, UC does not have an especially poor performance record compared to benefits such as PIP: in 2024-25, 84 per cent of claimants who had been in recent contact with DWP said their request was handled professionally; 77 per cent said that their needs were understood; and 72 per cent said that services were tailored to their personal circumstances.[96] But for a minority, the experience of the UC system can be very bad indeed.

> *"[I] feel angry, bitter, frustrated and resentful about future interactions [with DWP] and despite personally seeking to understand the processes involved, it still remains a battleground when trying to gain advice, support or a straightforward answer, let alone finding a compassionate person to talk to."*

Beverly W, Universal Credit Review Big Question, November 2025

> *"The attitude of the UC staff was appalling, this caused me significant amounts of anxiety, stress and depression. I would feel physically sick when I had to open my journal and read the messages. There was no dignity or any kind of understanding that I was a taxpayer for 30 years."*

Sadie Q, Universal Credit Review Big Question, November 2025

95 DWP, Reforms to welfare system set to save £1.9 billion by the end of 2030/31, December 2025. When it comes to disability benefits at least, there is little evidence that video or phone assessments lead to more generous award rates. See, for example: L Judge & L Murphy, Delivering dignity? Early lessons from the introduction of Adult Disability Payment in Scotland, Resolution Foundation, December 2025, https://doi.org/10.63492/zujo351; Figure 9 in L Judge & L Murphy, Under strain: investigating trends in working-age disability and incapacity benefits, Resolution Foundation, June 2024, https://doi.org/10.63492/ned961.
96 DWP, Customer Experience Survey, Benefit Customers 2024 to 2025, September 2025.

But there is no inherent reason why UC has to be like this: it should be entirely possible for a service to be delivered with compassion and support. This would clearly be a better outcome for claimants, but it would plausibly be of considerable benefit to DWP too. JCP currently has a well-documented staffing crisis: the National Audit Office noted there was an 11 per cent shortfall against the number of work coaches DWP said were required for the first half of 2024-25, and that the service had to be rationed as a result.[97] But even though demands are high and the pay is also relatively low for job coaches, there are other sectors where the same holds true such as social care where staff can still feel great attachment to their work and a strong sense of achievement too.[98]

Once again, DWP could do well to look to the Scottish example when it comes to effecting culture change in the benefits system. From its inception in 2018, Social Security Scotland (SSS) set out to deliver its Scotland benefits in a different way from the UK-wide system. The Social Security (Scotland) Act 2018 set out a number of principles the system would abide by, summed up as the values of "dignity, fairness and respect".[99] Critically, the Scottish Government was mandated by the Act to then work with claimants and their representatives to co-produce a Charter setting out what people should expect from the new social security system.[100] This process produced a very different output from the more operationally-focused Customer Charter that DWP produced in 2014.[101] In contrast, SSS publicised the Charter and co-produced a Charter Measurement Framework to embed and monitor progress, and operationalised its values through its approach to recruitment and training. the shift in culture, and its aims were operationalised by recruiting different types of staff, retraining existing staff and writing these principles into KPIs.[102] And this appears to have paid off: evidence suggests that those claiming ADP, for example, do report a better claimant experience than their peers claiming PIP (the directly parallel benefit).

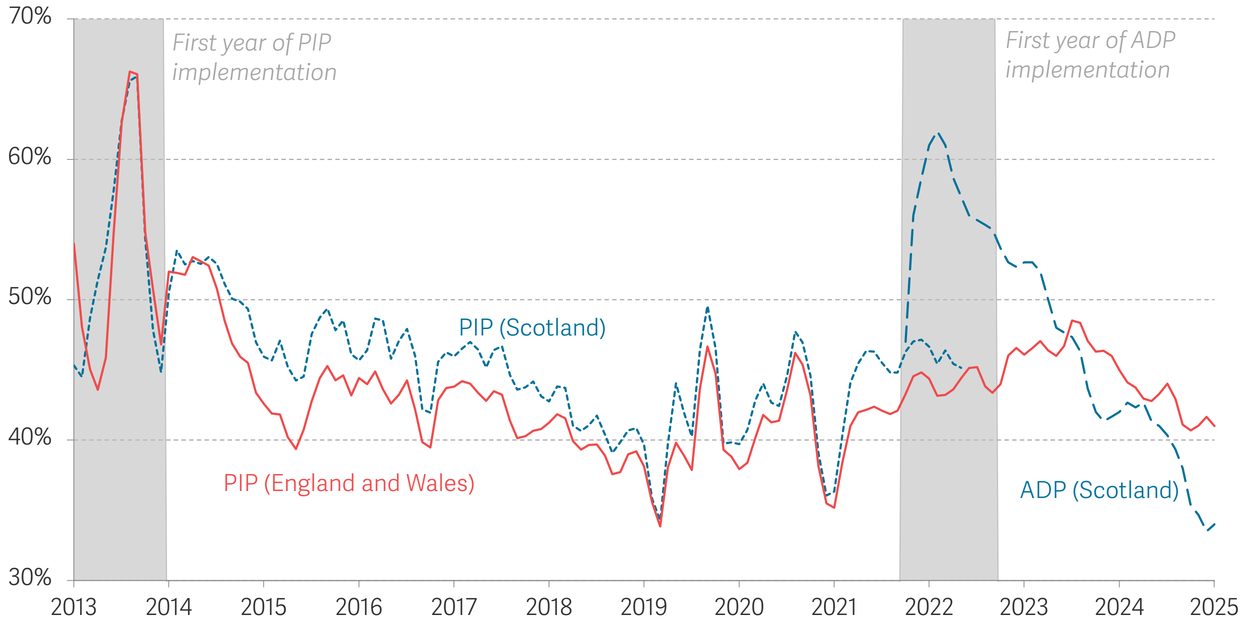
A likely strong objection against a wholesale cultural change such as this for the much larger UC system, however, is that this could boost AME spending because there would be greater leniency when it comes to awards. But early evidence from Scotland suggests that a more compassionate, trusting system does not mean it is a 'soft touch'. As we have shown in other work, the ADP is an especially useful case study in this respect given that

97 National Audit Office, Supporting people to work through job centres, March 2025.
98 N Cominetti, Who cares? The experience of social care workers, and the enforcement of employment rights in the sector, Resolution Foundation, January 2023.
99 Social Security (Scotland) Act 2018, asp 9, section 1. Available at: https://www.legislation.gov.uk/asp/2018/9/section/1/enacted, accessed 23 January 2026.
100 The Scottish government embarked on an ambitious programme of direct engagement with people with lived experience in social security, most notably through their 'experience panels'. As Changing Realities demonstrates, there is great potential in very close engagement between policymakers and those with the expertise on social security that comes with direct experiences. Here, there is particular scope to involve claimants in staff training and induction processes, and any effort to embark on cultural change within DWP should be developed through a process of co-production involving claimants themselves.
101 DWP, Our Customer Charter, March 2014.
102 For example, staff are trained in an approach called 'Intelligent Kindness'.Kindness'. See for example: Social Security Scotland, Charter Research 2020-21, November 2021.

its eligibility criteria and payment rates are the same as PIP; the only difference between the two benefits is the delivery culture. As Figure 10 shows, in its earliest days ADP had a higher award rate than PIP, but this spike echoed what we saw in PIP's early days too.[103] As the Scottish benefit has bedded in, the award rate has fallen and in the most recent data, was even lower than that for PIP.[104]

FIGURE 10: **A dignified, fair and respectful culture does not mean the system is a 'soft touch'**

First instance award rate for new applications for PIP and ADP in Scotland and PIP in England and Wales



NOTES: Chart shows three-months rolling averages. We include new claims only, and not case transfers from PIP to ADP, or DLA to PIP.
SOURCE: RF analysis of DWP, Stat-Xplore; Social Security Scotland, Adult Disability Payment statistics.

Of course, it is a far easier proposition to introduce a new system with a new culture as SSS did than it is to change a long-ingrained culture in an existing system. And although the ADP experience suggests that a system built around the principles of dignity, fairness and respect does not need to be a more expensive one when it comes to benefits awards, there would be significant costs involved in effecting a significant cultural shift in the UC system, whether that is through funding coproduction processes, retraining existing staff or recruiting new staff with different skills, or shifting management practices. And even if such shifts could happen, it is plausible that a brand like UC could only truly be rehabilitated through a change of name. Such a decision could only be

103 This chart was first published in L Judge & L Murphy, Delivering dignity?: Early lessons from the introduction of Adult Disability Payment in Scotland, Resolution Foundation, December 2025, https://doi.org/10.63492/zujo351
104 L Judge & L Murphy, Delivering dignity? Early lessons from the introduction of Adult Disability Payment in Scotland, Resolution Foundation, December 2025. https://doi.org/10.63492/zujo351

justified if the benefit's underlying operations and culture were genuinely transformed in the ways outlined in this section – and for this to happen it is essential that DWP really does 'listen and learn'.[105] A name change would likely be entirely wasteful if a rebrand were not earned through such substantive change.

> *"I think the name is the problem and the stigmas attached to UC."*
>
> **Jimbo M, Universal Credit Review Big Question, November 2025**

This Section has explored how trust in the UC system can be restored, how it can be ensured that claimants are always treated with dignity and respect, and how the experience of claiming UC can be improved. Table 3 summarises our recommendations.

TABLE 3: **Summary of recommendations to increase trust in the UC system**

Policy problem	Recommendation
The messaging system in the UC journal can be confusing	Sort journal messages into 'urgent requiring action' and 'for info'
DWP does not offer benefits advice	Benefit entitlement calculation as part of the UC application
It can be difficult to challenge decisions	Mandatory Reconsideration button in UC journal
Claimants' vulnerabilities are often overlooked	Vulnerability flag in the UC journal
People are required to have personal conversations in open-plan Jobcentres	Make sure all Job Centres Plus have private rooms
People are not treated with dignity and respect	Dignity put centre stage in the claims process

105 R Patrick, Living at the sharp end of socio-economic inequality: Everyday experiences of poverty and social security receipt, Oxford Open Economics 3(1), July 2024, https://doi.org/10.1093/ooec/odae010.

Section 5

Conclusion

> *"Real change doesn't come from one policy shift alone. It comes from sustained listening, accountability, and a willingness to keep improving systems that affect people's lives every day".*
>
> **Kim, Changing Realities Blog, January 2026**

April 2026 will mark the end of a thirteen-year overhaul of the working-age social security system, with UC finally fully replacing the six legacy benefits from that point on. Although this milestone represents the end of UC's implementation phase, it should not mean the end of its development as a benefit. An estimated 8.5 million working-age adults and 6.5 million children will live in households in receipt of UC by that date, equivalent to one-quarter of all people below pension age (26 per cent), and two-in-five children (42 per cent), in the UK today.

It is essential that a benefit which touches such a large and often vulnerable part of the population operates as effectively as it can. Much has, will, and should be written about the levels of support provided by UC, and what an effective and supportive conditionality regime might look like.[106] But the nuts and bolts of the benefit system and the way that claimants are treated also have a profound impact on people's lives, and often receives far less attention from researchers and policy makers alike. This report has sought to rectify this situation, and as the Government itself considers such practicalities, we have shone a light on the operational changes that claimants themselves say would improve their lives.

Simplicity, flexibility and dignity should be watchwords for the UC Review

UC was a hugely ambitious reform with multiple aims. And in some respects, the project has been successful: UC has made it easier for most claimants to receive their full benefit

106 See, for example: R Patrick, Living at the sharp end of socio-economic inequality: Everyday experiences of poverty and social security receipt, Oxford Open Economics 3(1), July 2024, https://doi.org/10.1093/ooec/odae010.

entitlement; it has ended the very high marginal effective tax rates that meant financial work incentives were weak for some under the previous system; and it has dramatically cut the rate of over-payments that not only caused major problems for the state, but for claimants' ability to budget too. But UC's rollout has been far from smooth, and aspects of its design and implementation have caused distress and distrust among claimants.

Now is the time to put that right. We draw out three principles from the testimony we have gathered for this report that we believe should guide the Government's deliberations over the course of its UC Review:

- First, dignity and respect must be centralised in all interactions between DWP and UC claimants. Too many people who interact with the UC system feel looked down upon, disrespected and misunderstood. This is both detrimental to claimants' experiences and well-being, but also counter-productive for a benefit that foregrounds conditionality and expects engagement from claimants. DWP should ensure that claimants can speak privately about their lives in JCP offices, and that staff are aware of any specific vulnerabilities. And critically, DWP should draw upon the direct expertise of claimants in seeking to ensure their systems are built around principles of dignity and respect and may want to look to Social Security Scotland's recent experience of how to operationalise dignity.[107]
- Second, UC needs to be simpler for all claimants. Bringing six legacy benefits into one has made the act of claiming easier for many, but our research suggests many then struggle to understand their entitlements, their rights and other important information about their claim. The system also needs to recognise that claimants are often vulnerable because of their changed circumstances (job loss, health issues, relationship breakdown and the like); their personal experiences (leaving care, experience of domestic violence or mental illness, for example); and the fact that they are often dealing with multiple different systems at the same time (such as the NHS, SEND or child support). Clear information, useful signposting and straightforward routes to other sources of support are key.
- Third UC should have greater flexibilities that reflect the reality of claimants' lives. The UC system introduced significant rigidity for claimants, most notably through monthly assessments and payments in arrears. This has created new difficulties for claimants whose lives and incomes do not align with UC's design. Relaxing this rigidity and better aligning the system with the realities of claimants' lives and today's labour market would represent a substantial and necessary improvement.

107 Social Security (Scotland) Act 2018, asp 9 [accessed 23 January 2026].

An estimated £400 million of DWP's Spending Review settlement is all that is needed to significantly improve the UC system

This report has set out a grounded programme of reforms that we believe would enable the Government to start the vital work of putting these three principles into practice. But in these fiscally straitened times, is it a reasonable wish-list with a realistic price tag? In Table 4, we set out our best estimates of the costs of each proposed reform.

TABLE 4: **Our recommended reforms to UC are not prohibitively expensive**

Estimated DEL and AME costs of proposals in this report: UK

Proposal	Estimated DEL cost	Estimated AME cost
Backdating of up to a month by default	Negligible	Up to £360 million
Discretionary grants	Negligible	Up to £350 million (or £175 million with backdating)
Boost awareness of advances	Negligible	None
Journal alert when claimants likely to be paid twice in an AP	£1 to £10 million	None
Allow claimants to choose a 4-weekly AP	£40 to £100 million	Less than £100 million
Allow discretionary extensions of the MIF start-up period	None	Less than £100 million
Allow self-employed claimants to choose rolling 3-monthly AP	£1 to £10 million	Less than £100 million
Bring childcare element of FSF into UC	£40 to £100 million	None
Extend childcare run-on to 13 weeks	Negligible	Negligible
Use TFC architecture to pay childcare support upfront	£10 to £40 million	Negligible
Sort journal messages into 'urgent requiring action', and 'for info'	£1 to £10 million	None
Benefit entitlement calculation as part of the UC application	£1 to £10 million	Less than £100 million
Mandatory Reconsideration button in UC journal	£1 to £10 million	None
Vulnerability flag in the UC journal	Negligible	None
Make sure all Jobcentres Plus have private rooms	£10 to £40 million	None
Dignity put centre-stage in the UC system	£40 to 100 million	None

NOTES: AP = assessment period. Bringing the childcare part of the Flexible Support Fund (FSF) into UC would result in an ongoing rather than a one-off increase in DEL spending, assuming it led to higher take-up. The estimated cost range here is for the three remaining years of the current Spending Review period from 2026-27 to 2028-29. AME costs are in 2029-30 prices, deflated by CPI, and do not take into account the Government's policies for above-inflation uprating of the UC standard allowance or removal of the two-child limit. See Annex 1 for more information on our costing estimates.

Although our DEL costings in particular must be treated as ballpark figures only, we include them to illustrate that none of the single changes we propose in this report are likely to be prohibitively expensive to the Government. Indeed, taken together, we estimate that the total maximum DEL cost of our programme would be less than £400 million, compared to DWP's £11.5 billion Spending Review settlement for 2028-29.[108] And the same holds when it comes to the AME implications of our recommendations: the increase in annual benefit spending from our total package would be in the range of £700 million to £900 million per year, equivalent to around a 0.2 per cent increase to DWP's total £364 billion AME spend, or between 0.8 and 1.0 per cent of its £93 billion AME spend on UC, in 2029-30.[109]

The Government must listen and learn in the future

There is one final important conclusion we draw from the research conducted for this report. When UC was introduced in 2013, the then-Government committed to a process of 'test and learn': rolling the benefit out slowly to a small number of people, evaluating whether it was achieving its policy objectives or had any unintended effects, and then adapting the system in response to this evidence before UC was ramped up any further. But perhaps one of the most striking aspects of writing this report is in realising that most of the issues flagged by Changing Realities participants, welfare rights advisers and other experts interviewed for this project are not new: they are problems that had been frequently identified in the earliest days of UC's rollout, if not before.[110]

DWP has held countless stakeholder forums with frontline benefit experts and claimants ever since UC's introduction in 2013, where it has been told about problems like the five-week wait, the lack of clear channels for requesting an MR and the disrespectful treatment of claimants again and again. Yet these do not seem to have made a difference. The point was put very powerfully by the normally staid National Audit Office, who in its 2018 assessment of UC, concluded:

> *"[DWP] has responded to simple ideas to improve the digital system but defended itself from those that it viewed as being opposed to the policy in principle ... This has led it to often dismiss evidence of claimants' difficulties and hardship instead of working with these bodies to establish an evidence base for what is actually happening. The result has been a dialogue of claim and counter-claim and gives the unhelpful impression of a Department that is unsympathetic to claimants".*[111]

108 HMT, Spending Review 2025, June 2025.
109 RF analysis of DWP, Benefit expenditure and caseload tables, Autumn Budget 2025.
110 See, for example: L Judge, Will Universal Credit work?, TUC Economic Report Series, 2013.
111 National Audit Office, Rolling out Universal Credit, June 2018.

Rather than a 'test and learn' approach, the Government should transition to a 'listen and learn' way of working, which could usher in a genuine engagement with these everyday experiences.[112] Of course, some of the problems raised in this report are challenging to fix given the fundamental structure of the system (being able to elect a four-week assessment period, for example), but many others are not (such as extending run-ons of childcare support). But as the Government reflects on the workings of UC as its roll out comes to an end, they are presented with a new way of making policy in the social security space. And that is why we give the last word on this issue to Lisa from the Changing Realities project:

> *"We share our experiences to help improve the lives of others. So, let's hope we can continue this conversation with you".*

Lisa Holden, DWP roundtable, January 2026

112 This idea was first advanced in: R Patrick, Living at the sharp end of socio-economic inequality: Everyday experiences of poverty and social security receipt, Oxford Open Economics 3(1), July 2024, https://doi.org/10.1093/ooec/odae010; R Patrick, Before reforming social security, Labour needs to listen to recipients, LSE blogs, October 2024.

Annex 1: Costings methodology

Estimating the DEL expenditure required to implement our recommendations

Costing the DEL expenditure required to enact the recommendations we have set out in this report was challenging: there is little in the public domain to help guide an exercise of this nature. The costings in Section 5 were derived based on reasonable estimates of which of our recommendations should incur zero or negligible costs, and which would be likely to incur 'small', 'medium' or 'large' costs. We then used published costings of past changes to assign cost ranges to these categories, based on our determinations of whether the changes were 'small', 'medium' or 'large'.[113] Based on this method, we estimate that recommendations incurring 'small' DEL costs should be costed at £1-£10 million; 'medium' costs should be £10-£40 million, while 'large' DEL costs should be £40-£100 million. Table 5 shows existing changes that we assigned to these categories as benchmarks for the changes in our proposals.

113 The majority of these existing costings come from National Audit Office reports on the roll out of UC: National Audit Office, Universal Credit: early progress, September 2013; National Audit Office, Progress in implementing Universal Credit, February 2024.

TABLE 5: **Our estimates of the DEL costs of our recommendations were benchmarked to published costings of previous UC changes**

Costings of previous Universal Credit changes used to inform our DEL cost estimates: UK

Size of change	DEL cost	Examples	Source
Small	£1 to £10 million	Amount spent developing initial UC software interface with real time information; and developing initial payment management component	National Audit Office, Universal Credit: early progress, September 2013
Medium	£10 to £40 million	Support from software suppliers during set up of IT system; software licenses for UC IT system; multiple years extensions to various programmes (e.g. support for people migrating); total cost of Help to Claim service; annual Move to UC staff costs	National Audit Office, Universal Credit: early progress, September 2013; National Audit Office, Progress in implementing Universal Credit, February 2024.
Large	£40 to £100 million	Hardware, telephony equipment and changes to old systems in setting up initial UC system	National Audit Office, Universal Credit: early progress, September 2013

SOURCE: RF calculations based on figures in National Audit Office, Universal Credit: early progress, September 2013; National Audit Office, Progress in implementing Universal Credit, February 2024.

Estimating additional AME spending from our recommendations

Of all our recommendations in this report, extending backdating of UC claims and introducing discretionary grants at the start of claims are likely to incur the largest additional AME costs.

Extending backdating

- The mean monthly UC award between April 2025 and August 2025 was £1,030.[114]
- There were 1,519,000 new starts to UC over this same time period. This is high due to managed migration to UC from legacy benefits; this accounts for 566,000 UC starts over this period. So, the number of non-managed migration starts was 953,000, or 136,000 per month on average.
- We assume that 50 per cent of these new starts would have their claims backdated under the new policy, based on existing research suggesting around half of new

114 Source: DWP, Stat-Xplore. Figures represent Great Britain.

claims have no earnings in the months before making a claim.[115] 30 per cent backdate for 1 week; 10 per cent backdate for 2 weeks, 5 per cent backdate for 3 weeks; and 5 per cent backdate for the full month.

Table 6 shows the calculation of the total annual cost of the policy under these assumptions.

TABLE 6: **We estimate allowing backdating of Universal Credit claims by default would cost around £360 million in additional AME spending**

Calculation of estimated annual AME cost of extending Universal Credit backdating: 2029-30, Great Britain

Length of backdating	Est. average additional UC award	Estimated number of households receiving	Total monthly cost	Total annual cost in 2025-26	Total annual cost in 2029-30
1 week	£237	40,800	£9,700,000	£116,100,000	£126,000,000
2weeks	£474	13,600	£6,400,000	£77,400,000	£84,000,000
3 weeks	£711	6,800	£4,800,000	£58,000,000	£63,000,000
Full month	£1,030	6,800	£7,000,000	£84,100,000	£91,300,000
Totals		**68,000**	**£28,000,000**	**£335,600,000**	**£364,300,000**

NOTES: 2029-30 figures deflated by CPI and do not take into account the Government's policies for above-inflation uprating of the UC standard allowance or removal of the two-child limit.

Introducing discretionary grants for new claims

The Government could, of course, decide how much it wanted to spend on discretionary grants through setting specific eligibility criteria and/or a spending limit.

Our estimated costing for introducing discretionary grants for new claims is based on the New Claims Grant scheme in Northern Ireland. In 2023-24, the Department for Communities in Northern Ireland spent £3.39 million on New Claims Grants over 11,160 awards and an average of £304 per award.[116] This represents paying grant to 19 per cent of an estimated 57,500 new claims in that year.[117]

Taking the above figure of 136,000 UC starts per month in Great Britain and assuming

115 See: National Audit Office, Universal Credit: getting to first payment, July 2020.
116 Source: NI Department for Communities, Welfare Mitigation Schemes: Statutory report, December 2024.
117 RF analysis of NI Department for Communities, Universal Credit Statistics, 2023 (various).

the value of discretionary grants matches the average monthly UC award of £1,030, if 19 per cent of claimants in Great Britain were given a discretionary grant as they were in Northern Ireland, this would cost £330 million in 2025-26, or £350 million in 2029-30.

The cost would be lower if discretionary grants were introduced alongside extended backdating. If we assume 50 per cent of claims are backdated and therefore would not be entitled to discretionary grants, this could cut the cost of discretionary grants in half to £175 million.