

# From disaster to completion

The 15-year story of Universal Credit



# About this report

By the end of 2026, the final recipients of income-related Employment and Support Allowance will have been transferred onto Universal Credit, marking the end of a 15-year journey from white paper to final 'migration'. This report tells that story, and shares the lessons for government it offers.

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Universal  
Credit  
HEALTH ASSESSMENT

**UC** Universal  
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HEALTH ASSESSMENT ADMINISTRATION

UC Universal  
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Capability  
Assessment

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# Summary

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**By the end of March 2026, almost all recipients of income-related Employment and Support Allowance will have been transferred on to Universal Credit.**

At some point later in the year the final cases will follow and ESA will be shut down. That moment will mark the completion of a hugely ambitious programme to merge six working-age means-tested benefits – the six being Jobseeker’s Allowance and ESA, Income Support, Housing Benefit and the Child and Working Tax Credits. It will have taken 15 years and will have been completed the better part of nine years late.

On the way, its construction at times caused undoubted hardship to a significant number of claimants as they struggled with its operations and software. Universal Credit also caused huge political angst for a succession of work and pensions secretaries. It challenged the way their department worked – and much of wider government too. HMRC and the Cabinet Office had fingers in this pie, as inevitably did the Treasury, whose attitude to Universal Credit moved from deep hostility to, eventually, firm support.

Universal Credit’s scope is enormous. It goes to some 8 million households or roughly one third of the working-age population. And while much of the public – and media – perception is that it is a ‘welfare’ benefit for the unemployed poor, more than a third of its claimants are in work. Its reach, then, is similarly vast, touching not just its claimants and DWP’s own staff but employers, local government, public and private landlords and the voluntary sector, which advises countless claimants.

## **It has been quite a journey – and a far from smooth one**

Much went wrong. But enough has, eventually, gone right to get to the stage where in early 2026 the ‘legacy benefits’ Universal Credit is replacing are all but closed. Completion does not, however, mean that Universal Credit is perfect. All benefits involve trade-offs and there are plenty of critics of those made in the design of Universal Credit – for example, that it is a household not an individual benefit; that it is paid in arrears on a monthly assessment of earnings; that there is a five-week wait for the first payment; and that almost half of its recipients face a deduction from the headline rates of benefit because they are paying off various forms of debt, in some cases including advance payments of Universal Credit.

Nor does completion mean that Universal Credit is permanently fixed, frozen for all time. Its level of generosity and some of its rules have changed even over the period of implementation, and will continue to do so. For example, following the 2025 budget, free school meals will be extended from September 2026 to all recipients of Universal Credit, not just those with an annual income under £7,400. This story, some decade and a half in the making, will run and run.

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## This paper

The purpose of this report is to tell that story. It is in essence a study of the machinery of government. It comes in three parts:

**Part 1** offers an account of what went wrong, and what then went right, drawing on extensive literature from the Institute of Government and others as well as interviews with key figures involved in the project, across its long life.

**Part 2** pulls out some of the most important lessons, good and bad, that this and future governments can learn from Universal Credit.

**Part 3** looks at the impact of the policy itself. It explores how and to what extent Universal Credit has met the aims set out in the 2010 white paper that announced it – though it is not, and could never be, a straightforward account of success or failure, not least because some of the measures of success that Universal Credit set for itself cannot yet be judged.

The bulk of this study is a follow-up to the author's 2016 report for the Institute for Government *Universal Credit: from disaster to recovery?*, while also drawing on a May 2025 event held at the Institute entitled *From Disaster to Completion: What can the government learn from the Universal Credit story?*<sup>1</sup> There are myriad other sources that are acknowledged in the text, in footnotes and in a 'further reading' section found at the end, along with the acknowledgements.



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Small brass plaque on the door, likely containing the name of the resident or the name of the building.

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# Part 1: the story of Universal Credit

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To tell the story of Universal Credit it is instructive to begin at its nadir.

"At no point did the technical dark days and the political dark days coincide. If they had, it might have been stopped" – *Stephen Brien, adviser to Iain Duncan Smith\**

## Universal Credit's darkest days

It is 3 February 2014 and Iain Duncan Smith, the then secretary of state for work and pensions and former leader of the Conservative Party, is facing angry members of the Commons cross-party Work and Pensions Select Committee. He is in deep trouble.

So is Universal Credit, the government's flagship welfare reform – a hugely ambitious drive to collapse six in-work and out-of-work benefits into one single, much simpler, system. It is a one aimed at ensuring not just that low-paid work pays more than being on the dole, but also that any amount of work, even just a few hours a week, pays.

Universal Credit is a massive administrative challenge. Its aim may be simplicity, but achieving that will ultimately involve well over 4 million lines of computer code as around 15 million adults and children in almost 8 million households are moved on to the new credit. It is also a significant culture shift. It is not going well.

On the original timetable (that most with any knowledge of welfare reform regarded as fanciful at best) almost a million people were meant already to be receiving Universal Credit. In practice, fewer than 5,000 were, and they were the simplest possible cases. The vast majority were men aged under 25 who were single, unemployed, childless, non-homeowners and not on Housing Benefit. They would otherwise have been claiming Jobseeker's Allowance.<sup>1</sup>

At that rate of progress, Labour's shadow secretary of state for work and pensions at the time – one Rachel Reeves – was tartly to remark, it would take more than 1,000 years to get everyone theoretically entitled to Universal Credit on to it.<sup>2</sup>

### Problems swept under the carpet

Duncan Smith's committee appearance in early 2014 came exactly a year after the programme had hit such trouble that in February 2013 it had been entirely 'reset' –

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\* And for a time deputy senior responsible owner for UC. Author of *Dynamic Benefits*, currently chair of the Social Security Advisory Committee.

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in effect, all but started again. This was something that Duncan Smith had omitted to tell the committee at a hearing in the July of that year. In September 2013, on the very day that the National Audit Office (NAO) made public these major problems and the reset decision,<sup>3</sup> he was still insisting in the Commons that Universal Credit “will deliver on time and on budget”.<sup>4</sup> And in the December of 2013, he had further irritated the committee by failing to publish, until a day after the hearing, a long-promised departmental report spelling out the software costs that had had to be ‘written down’ and ‘written off’ as a result of the reset.<sup>5</sup>

The committee, to put it bluntly, felt it was being misled.

It was little surprise, then, that at the February 2014 session, IDS – as he is almost universally known – was accused of obfuscation and hubris. Even the mild-mannered chair of the committee, Dame Anne Begg, observed that “you can imagine why some people are a bit suspicious” that the department was attempting to “sweep things under the carpet”. It was a charge that IDS denied – in increasingly tetchy exchanges.

Not long afterwards, he was accused in the Commons chamber of “deception” by a senior Labour MP, and in the same exchanges, Margaret Hodge, chair of the Public Accounts Committee – arguably the most powerful of parliament’s committees – said:

**“I plead with the secretary of state that he should be open and honest with all of us rather than hiding behind smoke and mirrors to create a false impression that Universal Credit is on time, in budget and delivering in full its intended objective.”<sup>6</sup>**

These were Universal Credit’s darkest days. Under a beleaguered secretary of state a multibillion-pound programme appeared to be heading for nowhere but the rocks.<sup>7</sup> It was not then clear if a reform described by the prime minister, David Cameron, as “one of the boldest and most radical reforms of the welfare state since Beveridge” would even survive. Allegations that DWP was being evasive about the problems would continue for years, laid by Conservative as well as opposition MPs.<sup>8</sup>

This was all a far cry from the heady days of May 2010.

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# Universal Credit, and a bright new dawn

## The 2010 general election's 'best kept secret'?

Soon after the general election that returned a Conservative–Liberal Democrat coalition, IDS – as much to his own surprise as anyone else's – had walked into his new department clutching a 370-page document entitled *Dynamic Benefits*. He made clear to officials that this was what he was intending to do. They had already guessed. Indeed, the welcoming party was waving its own copy of this inch-thick document. With considerable enthusiasm, they told him: "We believe we can do it."<sup>1</sup>

That might seem something of a surprise. After all, Universal Credit had been one of the best-kept secrets of the 2010 general election. It had appeared nowhere in either the Conservative or Liberal Democrat manifesto – the Conservative one focusing solely on the party's plan to replace totally Labour's welfare-to-work programmes.



**"We believe we can do it."**

– DWP staff, 2010

The top of the department, however, had instantly recognised that something like Universal Credit would be what IDS would pursue – partly because it had done its homework, but partly because the department itself had been looking at a similar idea for some time.

The origins of all this, however, go back a long way.

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# From fix to fixture: the rise of in-work benefits

Quite how far back one should go to trace the roots of Universal Credit is a matter of taste and judgment,<sup>\*1</sup> but back in 1948, when the UK's modern social security system was founded, there were no in-work benefits. Then, as the system became progressively more complex, two ideas entered the political and policy debate.

The first was that it made little sense to those of a tidy mind that individuals could both receive benefits but also pay tax. In different forms, the idea that the two systems should be merged to avoid people both claiming money from the state, only to give some of it back, attracted advocates across the political spectrum, though without anyone quite being able to come up with a convincing way of doing it.

The second was that it became clear in the 1960s that it was possible for a family to have someone in low-paid work and be worse off than if they simply claimed benefits. This 'poverty trap' was the result of benefits being withdrawn as earnings rose and tax and National Insurance also started to be paid.<sup>2</sup>

The first answer came in 1970, when the Conservative Sir Keith Joseph introduced Family Income Supplement (FIS), the first cash payment to in-work families. Initially FIS was a squib of a scheme with a mere 71,000 families claiming in the first year of what Joseph described as a "temporary measure" – one meant to be a short-term fix until something better could be devised. In-work benefits, however, were to prove to be as 'temporary' as the temporary reintroduction of income tax in 1842.

## From controversy to conditionality

It is hard now to grasp the immense controversy that FIS caused, with Joseph finding himself accused of reintroducing the 18th-century Speenhamland system where Berkshire magistrates introduced a supplement to the incomes of working men with families who were suffering destitution – only to find that employers took advantage of that subsidy to drive wages down even further. In the event, FIS remained a pretty minuscule part of the social security system until it morphed in 1986 into the rather more generous Family Credit.

Over the 1980s and 1990s, the labour market changed radically. Globalisation first stripped out the jobs that the Industrial Revolution had created in coal, steel and shipbuilding and then led to a delayering of middle management. Much of the work that replaced these jobs, when it was available, was lower paid and fragile. Unemployment, even in the good times, remained stubbornly high. And the numbers on disability benefits rose, in part because of a deliberate if undeclared policy in the earlier part of these decades to shift workless people with health problems on to

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\* A much fuller account is contained in *From Disaster to Recovery?*, [www.instituteforgovernment.org.uk/publication/report/universal-credit-disaster-recovery](http://www.instituteforgovernment.org.uk/publication/report/universal-credit-disaster-recovery)

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such benefits to keep the politically sensitive unemployment count down. Once on incapacity benefits, claimants rarely left them until they reached state pension age, or died.

By the mid-1990s there were more than 6 million people – then roughly one in seven of the working-age population – on out-of-work benefits, which included Jobseeker's Allowance, Incapacity Benefit and benefits for lone parents. The reaction to this, which spread slowly if unevenly across the political spectrum, was a crucial conceptual shift, namely a recasting of the role of the means-tested part of the benefits system.

Ministers in successive administrations began to move it from one that in the main paid people on condition that they did *not* work, to one that subsidised them to be *in* work, or at least actively looking for it: better to subsidise people in low-paid work than simply to fund them to be out of it. Thus FIS was replaced in 1988 by the more generous in-work benefit Family Credit. But with all this came greater conditionality, such as stronger requirements to look for work and the sanction of benefit withdrawal for non-compliance.

### **New Labour, new system**

It was Conservative chancellor Kenneth Clarke and Peter Lilley as secretary of state for social security who took the initial steps in this area<sup>3</sup> but it was Gordon Brown, appointed as chancellor after Labour's 1997 election victory, who made the really big change: tax credits.

By 2003, the system involved both a child tax credit (CTC) and a working tax credit (WTC) for those in low paid work. CTC was paid regardless of whether families were in or out of work – a key measure in Labour's attempt to drive down child poverty. It was paid to the main carer. Unlike Child Benefit, it was means-tested, although initially so generously that nearly 90% of families were expected to receive it. And WTC, for the first time, was available not just to those with children but to childless couples and singles aged 25 and over. Around a million people were expected to qualify. To back all this up – and tackle the Speenhamland problem – came both a national minimum wage to stop employers taking advantage of this state subsidy to lower wages, and much more active welfare-to-work programmes for not just the unemployed but also for lone parents and those with disabilities.

Tax credits made a measurable difference to child poverty and undoubtedly improved the living standards of those in low paid work. But they came to have their problems.

The first was that, for a number of reasons, Brown very much wanted to present his new tax credits not as a *benefit* but as a *tax cut* – hence the name – with Working Tax Credit coming through the pay packet not as a benefit payment. To underline the point, both tax credits were to be administered by HMRC, not by DWP, which had handled the in-work predecessor benefit Family Credit. This proved to be something of a mistake.

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DWP was pretty expert at paying weekly or fortnightly benefit claims, and were pretty good at dealing with people on very low incomes with no financial cushion whose circumstances – whether income, employment, housing or relationships – could change at bewildering speed. HMRC was used to bringing money in, not paying it out. And it did so on the basis of essentially annual tax returns and coding, not weekly or fortnightly payments. Some administrative nightmares were to lie ahead.

The second problem was that in any benefit – including Universal Credit – there are trade-offs. Among them, for in-work benefits, is over what period of time to make an assessment of entitlement, and over what period of time to pay a benefit? If awards were to be made for a short period, say a month, individuals would have to reapply repeatedly. That would be burdensome for them and costly to administer, particularly in an era when paperwork had to be managed by post. If awards were for a long period, say 12 months, the administrative costs would be much lower – but that carried the risk of big swings in income as earnings rose or fell over the year. That in turn could result in large overpayments or underpayments at the year-end, when earnings and benefit paid were reconciled and entitlement to benefit for the forthcoming year was reassessed. That posed the question of what to do about them – particularly in the case of overpayments: write them off, or claim them back?

Family Income Supplement, Family Credit and the first version of tax credits had all been assessed and paid for periods of six months, and had all involved a form of rough justice. If income had fallen during the payment period and the claimant did not report a change in circumstance that entitled them to more, the benefit was not made up at the end of the claim period. It was increased for the subsequent claim. If earnings had risen and so too much benefit had been paid, that was ignored at reassessment. In effect, it was written off, although the subsequent award would reflect the higher earnings.

Working Tax Credit was awarded on declared income over the previous months or year. It was paid provisionally, and then reconciled at the year end. Claimants were meant to report any significant change in circumstances during the year; a stipulation that not all of them grasped. In the first year, for administrative simplicity, the first £2,500 of any earnings higher than had been expected were disregarded – that is, ignored. The overpaid benefit did not have to be paid back. But extreme swings in income proved much larger and more frequent than had been anticipated and large numbers of claimants started to have to pay back big sums for reasons that they found hard to grasp.

These overpayments – some £2.2 billion in the first year – generated much misery for the claimants affected and dreadful headlines for HMRC. In an attempt to solve the problem, the disregard was raised to a mighty £25,000 in 2006. Even so, by the time Labour left office in 2010 overpayments stood at £9bn, with some individual overpayments so large that they had to be reclaimed over several years and with several billions of that sum eventually having to be written off as unrecoverable.

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Working Tax Credit undoubtedly made a significant improvement to the lot of those in low-paid work. But its inherent complexity meant that it was little loved, and in some quarters much reviled. It also, of course, interacted with other benefits, notably Housing and Council Tax benefits. And while, almost without exception, it was true that the new tax credits ensured that work paid, the 'better off in work' calculations that benefit officers had to go through with claimants to show this could be long and complex – often involving not just the tax credit calculations but multiple parts of the DWP's IT systems. In more complex cases it could take an adviser 45 minutes just to do the sums.\*

The gains, while significant for most, were not always large. In certain combinations of circumstances claimants could still be only 5p better off for each extra £1 they earned – a marginal tax rate, so to speak, of 95%. Furthermore, the risks of taking a low-paid job, having one's Housing Benefit recalculated and then, if the job failed for whatever reason, recalculated again, provided a deterrent to make the jump into work. This was a benefits system that, for many at the sharp end, remained horribly complex.

### **The mid-2000s simplification crusade**

If there were concerns about the complexity of tax credits, by the mid-2000s there was even greater concern about the complexity of the benefit system more generally. By way of illustration, it took 169 questions to establish a lone parent's right to Income Support<sup>4</sup> while DWP's guidance for staff on the benefit rules ran to 8,000 pages, with Housing and Council Tax benefit covered by another 1,200.<sup>5</sup> Both the National Audit Office and the department itself were highlighting the issue.

Roy Sainsbury, at the time a professor of social policy at the University of York, says:

**"The system had grown by incremental change over 50 years and become something of a monster... To the point where no one could even agree how many benefits there were – over 30 or over 50 if you counted some grants and other items as individual benefits."**

The NAO, normally a model of numeric precision, had felt the need to put the number at "around 40" in one of its reports.<sup>6</sup> Sainsbury began promoting the idea of a single working-age benefit as the route to a major simplification – the idea attracting the interest of Labour ministers, Conservative advisers and Danny Alexander, the Liberal Democrat works and pensions spokesperson who was later to play a key role in the survival of Universal Credit.

One of Sainsbury's key meetings was with David Freud, an ex-City banker and former *Financial Times* journalist who had been brought in by the then secretary of state, John Hutton, in December 2006 to review the government's welfare-to-work programme. Sainsbury sold him the idea hard and while Freud's 2007 report was very much centred on welfare to work, it did contain a chapter subtitled "towards a single system", which

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\* As seen first-hand by the author in the 2000s.

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canvassed three far from fully worked out options. The one thing that was needed, Freud said, was a debate on the idea, while estimating that it would take “at least eight years to introduce a new benefit system”.<sup>7</sup>

**“No one could even agree how many benefits there were”**

**– Roy Sainsbury, an early advocate of merging working-age benefits**

The quadrille that Labour danced around the idea in the later 2000s – it crept into and then more or less out of assorted green and white papers – had by December 2009 become merely a “long term ambition”.<sup>8</sup> By then too David Freud, frustrated by Brown’s refusal to back in full his welfare-to-work ideas, had taken the remarkable step of resigning as a Labour adviser to become a Conservative peer with the promise of a ministerial job should the Tories win the election.

Meanwhile, in a different part of the forest, another beast had been stirring.

### **The Conservatives pick up the baton**

Back in 2002, IDS, while still the Conservative Party leader, visited the Easterhouse housing estate in Glasgow. He was both shocked and inspired: shocked by the social breakdown; inspired by the fact that parts of the community still struggled to help other parts. There is no doubt that it affected this ex-Scots Guards officer profoundly. The visit was later to be popularised in the media as the “Easterhouse epiphany”. His then adviser, Tim Montgomerie, says that “something suddenly clicked. He realised here was his personal mission and a mission for the Tory party.” The Conservatives, IDS declared, had to become “the natural party of those who want to make a better life for themselves and their children” and one that “doesn’t just drive past Easterhouse on the motorway”.<sup>9</sup>

Shorn of the leadership, in 2004 he created the Centre for Social Justice, which produced a string of reports with titles like *Breakdown Britain* that worried about a trapped underclass that had been left behind by society. These reports helped provide some of the soundtrack for David Cameron’s claims about ‘Broken Britain’ ahead of the 2010 general election. In time IDS came to the view that “the biggest barrier to those entering work for the first time was the benefit system itself”.<sup>10</sup>

A 10-strong working group was set up, which in September 2009 produced *Dynamic Benefits*.<sup>11</sup> The report ran to 370 pages and was not the easiest of reads. Its core message, however, was that as benefits were withdrawn, and as increased earnings led to tax and National Insurance becoming payable, “the first steps into the world of work for many in a low hours/low pay job are all but pointless”. Large numbers kept a mere 25p of each extra pound they earned and some kept a mere 5p in every pound: a marginal tax rate of 95%. All this at a time when the marginal rate for the highest earners from tax and National Insurance combined was 51%.

The solution, according to *Dynamic Benefits*, was a new system of ‘universal credits’. Its favoured design was to combine nine of what it calculated to be a total of 51

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different benefits into 'a single benefit with two components' – in effect, however, still two benefits:

- a Universal Work Credit covering those out of work or on very low wages
- a Universal Life Credit that would cover additional living expenses for those on a low income.

In addition, it proposed a much more generous earnings disregard (the amount that could be earned before benefits started to be withdrawn), and a single withdrawal rate – the taper rate – of 55% in place of the different withdrawal rates in the different benefits and tax credits, i.e., one that would have been much closer to the then marginal 51% rate for the top earners.

There would be a short-term cost from this more generous system of the order of £3.6bn – roughly 6% of the £60bn or so then being spent on working-age benefits other than the universal Child Benefit, which was unaffected by these proposals. But the report argued that the larger incentives to enter work in the first place and earn more once there would have a 'dynamic' effect: more people would do both and so, in the long run, the reform would be self-financing through lower administration costs, much less error, and more tax being paid as more people worked and earned more.

So it was IDS and Stephen Brien – a partner at the management consultants Oliver Wyman, who had chaired the working group and was to go on to play a significant role in Universal Credit – who touted this round the media outlets in September 2009. Despite selling itself as "the most far-reaching review of the welfare system in 60 years", it got limited coverage, proving too detailed and dense for most reporters. Furthermore, IDS was not even on the Conservative front bench and the official Conservative Party reaction on the day was at best muted.

### **Why not one?**

A month later, the sharp eyed and eared would have noted a passage in David Cameron's party conference speech in which he said that the party had won an election 30 years earlier "fighting against 98 per cent tax rates on the richest. Today I want us to show even more anger about 96 per cent tax rates on the poorest."<sup>12</sup> At the same time, he appointed IDS to chair a shadow cabinet committee on social justice, although this still did not make him a shadow minister let alone a front bencher.

But with Freud now advising Theresa May as shadow secretary of state for work and pensions, and Brien still with IDS, the four met for a session at which May asked a key question. "Why two benefits? Why not one?" Despite not appearing particularly enamoured of the idea – she did not raise it in pre-election access talks with civil servants – she did agree that Freud and Brien should continue talking

What followed were some six months of intense work between Brien and Freud that became something of a roller-coaster. At one stage it looked as though the whole idea was undoable.

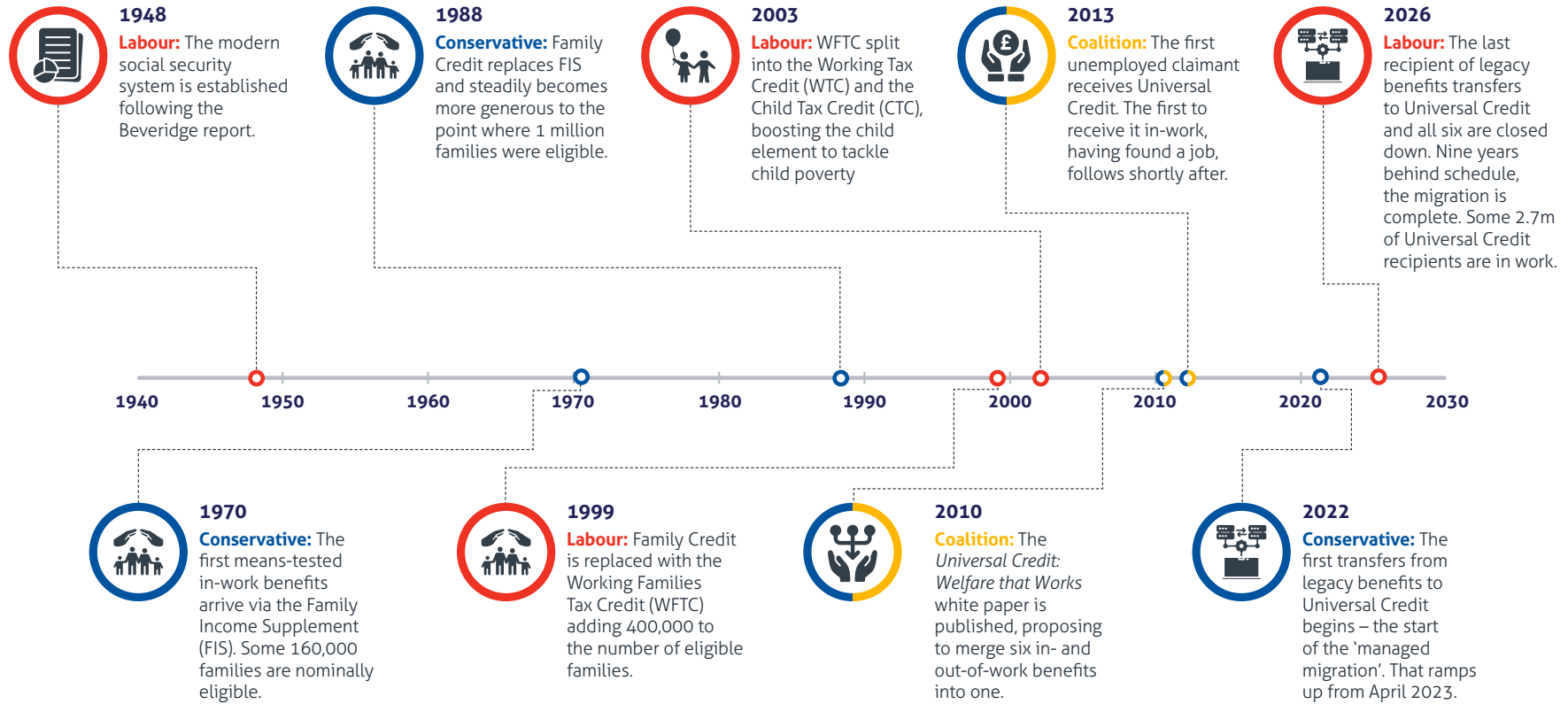
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They then discovered that HMRC would soon have a Real Time Information System (RTI) that would be able to supply to DWP employee's PAYE information automatically and monthly. That meant that in-work awards would no longer have to be given for six- or 12-month periods but could be paid and adjusted monthly in close to real time. The system would pick up multiple jobs, reducing the chances of fraud, and its monthly cycle promised to tackle the overpayment and underpayment problem.

The idea of a single in- and out-of-work, means-tested benefit was back on. It was during this period that Universal Credit acquired its name, consolidating the original two credits into one. It was also decided to exclude both Child Benefit, then not means-tested, and the non-means-tested Disability Living Allowance. "We decided to concentrate on the real means-tested bits," Freud says.

On 6 May 2010, the country voted to produce the hung parliament that led to Cameron's "big, open and comprehensive offer" to the Liberal Democrats to form a coalition government.<sup>13</sup> On Wednesday 12 May, to his surprise as much as anybody else's – he had flown to Florence immediately after the election assuming that he would not get a cabinet post – Iain Duncan Smith was appointed secretary of state for work and pensions.<sup>14</sup>

Figure 1 **Timeline of in-work benefits from 1948**



Source: Institute for Government analysis.

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# Universal Credit goes into government

When news of IDS's appointment was announced, the website of the Centre for Social Justice crashed as DWP staff rushed to remember who IDS was. On arrival in the department he was greeted by Sue Owen, head of strategy, and Trevor Huddleston, the department's deputy chief analyst, who were clutching a copy of the inch-thick *Dynamic Benefits*. "We believe we can do it," they told him, although recollections differ as to whether they then added "and it will cost less than you think" or that they added "but it will cost more than you think".<sup>1</sup>

The department was genuinely excited by the idea. Senior civil servants understood the complexity that by then entangled the system, with that in turn generating appreciable amounts of fraud and error. As already outlined, towards the end of Labour's time the department

had already been doing work on a simpler system, though one less radical than IDS was now proposing. The Treasury, however, was much more sceptical, burnt in part by the experience of tax credits, which had proved much more expensive to run than predicted, without quite producing the boost in employment that had been hoped for.

There was an added complication. George Osborne, the chancellor, and IDS did not get on, and the chancellor rapidly came to share the Treasury's scepticism of the idea. On top of that, in the wake of the 2008 financial crisis, Osborne was seeking billions of pounds of cuts in benefit spending – first for his emergency post-election budget in June and then for a spending review in October, which between them produced "the longest, deepest, sustained period of cuts to public services spending at least since World War II".<sup>2</sup> Part of the problem was that even if one believed that Universal Credit would save money in the long run, it was clearly going to cost more initially, and for several reasons.

## The Treasury is unconvinced

First, under the old system, it did not really pay lone parents to work at all until they did 16 hours a week, while for couples the figure was 24 hours (the points at which tax credits became payable, otherwise known as the 'hours rules'). These hours rules were to be scrapped. The more generous work allowance before benefit started to be withdrawn, allied to the single withdrawal rate, were intended to make any amount of work – even just a few hours a week – worthwhile. IDS believed that even a few hours in a 'mini-job' could lead to a part-time job with more hours and perhaps, eventually, to a full-time one. Rewarding people for mini-jobs would clearly cost more.

Second, the merger of six or seven benefits into one, under one set of rules, would inevitably create large numbers of winners and losers. The scale of the losses for some would be so great that it looked likely that transitional protection would be needed – protecting claimants' old income until their circumstances changed. Added to that, the



**"The longest, deepest, sustained period of cuts to public services spending at least since World War II"**

– The IFS on the 2010 budget

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Treasury was sceptical about the employment effects. With the hours rules gone, might not some claimants reduce their hours rather than increase them? That would be bad for the economy.

Some influential figures in the Treasury regarded the proposition as “unaffordable and impractical”. The initial battle to get Universal Credit launched included a stand-up row between Osborne and IDS so blazingly bad that it made the newspapers.<sup>3</sup> But after a holding green paper in July 2010, four months later, in November, the white paper *Universal Credit: Welfare that works* was published. Six in- and out-of-work benefits were to be amalgamated into one:

- Child Tax Credit
- Housing Benefit
- income-related Employment and Support Allowance (ESA)
- income-related Jobseeker’s Allowance (JSA)
- Income Support
- Working Tax Credit.

A notable omission was Council Tax Benefit. The Liberal Democrats were to prove key friends of Universal Credit – most particularly Danny Alexander, the chief secretary to the Treasury, and Nick Clegg, the deputy prime minister, who, between them and with Cameron and Osborne, made up the coalition’s ‘quad’ leadership. Alexander’s party was, however, particularly keen on ‘localism’ and the coalition demanded a piece of ‘localism’ – that something be devolved to the local level – from every government department. The Treasury was demanding a £500m cut in the council tax bill, and DWP, faced as it was with cuts that amounted to £12bn, could not stomach another half-a-billion. So, council tax for those of working age, complete with the cut, was handed over to local government to administer, along with the right to define its own detailed rules – potentially creating scores of slightly different eligibility schemes.

The decision undermined the idea of a single benefit, complicated the ‘better off in work’ calculations, and was regarded by all ministers within the department, and their advisers, as quite simply “barmy”.<sup>4</sup> Nonetheless it happened.\* The non-means-tested versions of Jobseeker’s Allowance and Employment and Support Allowance (for those who had paid enough National Insurance contributions) were left outside this ‘universal’ credit, as was Carer’s Allowance and much else. But, while the department believed Universal Credit could be done, its permanent secretary did warn ministers that combining six benefits into one remained “the mother and father of all challenges”.<sup>5</sup>

### **The ideology of *Universal Credit: welfare that works***

The white paper confirmed that there would be transitional protection. But the Treasury set the withdrawal rate – the taper – at 65%, not the 55% that *Dynamic Benefits* had wanted. For those who earned enough to pay tax and National Insurance the withdrawal rate hit 76%. As the *Financial Times* noted slightly acidly, that was

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\* There were, however, and still are some technical reasons for excluding council tax support. It is a rebate on a council tax bill, rather than a (so to speak) cash-in-hand benefit. Including it could involve the complexity of DWP paying small amounts to councils to be attributed to individual council tax accounts.

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better than withdrawal rates of 95% plus, “but few bankers would get out of bed to earn extra if their tax rate were 76p in the pound”.<sup>6</sup>

To many – including Roy Sainsbury – the concept of what became Universal Credit was essentially “a technocratic change – an apolitical idea not rooted in any ideology at all”.<sup>7</sup> But under Universal Credit as it eventually emerged, there was some ideology attached. IDS was especially keen for it to reflect the world of work to habituate the longer term unemployed to its demands. So Universal Credit was not just a technocratic change in bringing in a new means-tested benefit system; it was intended to produce behavioural change.

For some time, the proportion of employees paid monthly had been slowly rising to around 75%, with that trend expected to continue. So Universal Credit was to be assessed on monthly earnings and paid monthly in arrears (even though many in work and on Universal Credit would be being paid weekly, fortnightly or four weekly).

### **An employer for the unemployed**

For those not in work, this was intended to accustom them to a monthly salary or pay cheque. With that, they were expected to take greater budgeting responsibility. In the social rented sector, for instance, Housing Benefit was often paid direct to the landlord; in future it would be paid to the claimant, who would be expected to manage it. There was to be much greater conditionality to seek work when out of it including a new ‘claimant commitment’. This required claimants to spend up to 35 hours a week job searching, effectively turning the DWP into a form of employer for the unemployed. Or as IDS’s adviser Stephen Brien put it back in 2015:

“Your full-time job is to find paid employment and your Jobcentre adviser has now effectively become the manager for your work. And you report to your manager once a fortnight, or more frequently, about how your work – your work search – is going. And we pay you.”<sup>8</sup>

To underline that, the possibility of much tougher sanctions was introduced. The maximum disqualification from the benefit was raised from six months to three years (although, in 2019 Amber Rudd restored the six-month limit).<sup>9</sup>

In addition, there was to be a fundamental recasting of the role of the state. Because in theory any amount of work would pay, the state was no longer just interested in whether someone was in work or actively looking for it. The taxpayer now had an interest in ensuring that people did not work *only* a few hours a week. It now had an interest in people doing *more* work, or earning more – in order to restrain the benefit bill and the overall cost of the reform, and, ideally, to get them earning enough to get them off Universal Credit. So the white paper announced that *in-work conditionality*, complete with sanctions, was to be introduced for the first time.

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There was something of a paradox here. Universal Credit was intended to encourage budgeting responsibility and independence – pushing people to seek higher earnings and reducing their reliance on benefits – but in doing so it would seek more control over, and be more intrusive into, the lives of people already in low-paid work.

**“Your full-time job is to find paid employment... And we pay you.”**

– Stephen Brien, adviser to  
Iain Duncan Smith

The decision to operate a monthly system meant that a month’s earnings – or lack of earnings for those out of work – had to be assessed, and an additional week was added for DWP to process the result, producing the now infamous five-week wait for a first payment. However, in the first

instance up to 2018, and purely to save money, Osborne added an additional waiting week to that, creating a six-week wait for payment. That compared to, in 2010, a three-day waiting period before a JSA or Income Support claim could be lodged with the first payment typically being made within two weeks. (Tax Credit claims, it should be said, took longer to process, typically two to six weeks.)<sup>10</sup> For all these benefits there were outlier cases where it took longer and occasionally much longer.

### Unanswered questions

How in-work conditionality would function was not the only area in which the white paper lacked detail. It contained a host of unanswered questions around childcare costs, what would be the mechanism for paying Housing Benefit, what was to happen to the ‘passport benefits’ under which those on JSA and Income Support got free prescriptions, free dental treatment and free school meals and much else.

But it was certain on other things – some of them breathtaking in the light of future events. Perhaps none more so than the claim that Universal Credit “would involve an IT development of moderate scale, which the Department for Work and Pensions and its suppliers are confident of handling within budget and timescale” and that the first claims would start in October 2013 and all 8 million households would be transferred to the new benefit by October 2017. The white paper also claimed that Universal Credit would reduce fraud and error, increase take-up and increase employment and earnings.

In short order, the white paper became a bill in January 2011 although, as answers were sought to some of the knottier questions, it took until March 2012 for it to become the Welfare Reform Act and a further whole year to March 2013 for the regulations – all the secondary legislation needed to make it work – to be passed: the legislative process was completed a mere six months or so before the first claims were due.

It should at this stage be stressed that, despite the many unanswered questions, there was huge cross-party and other support for the principle of Universal Credit. The Liberal Democrats were backing it in government; Labour recognised it from its own considerations of a single working-age benefit; and bodies as diverse as Citizens Advice and the Institute for Fiscal Studies all saw the potential gains in a simpler system. It was the practice, the detail and the implementation that they and others – wisely – worried about.

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## So what went wrong?

In a nutshell, pretty much everything that could go wrong did go wrong.\*

It is a golden rule of Whitehall projects that they should have a senior responsible owner (SRO) – a single civil servant with complete oversight of the project and personal responsibility, ideally throughout its life. Being the SRO of Universal Credit, however, proved to be only too like being one of Henry VIII's six wives (divorced, beheaded, died; divorced, beheaded, survived). Over little more than five years, two of the six SROs retired through ill health. Two were interims. One died in harness and one was to survive. At a level just below that it had six programme directors. Some of this was the result of bad judgment, some sheer bad luck.

### An unbelievably optimistic timetable

Added to all that was the timetable. Universal Credit was meant to be up and running by 2013 and completed by 2017, a timetable that looked to many to be unbelievably optimistic given the scale of change. Quite where it came from remains a bit of a mystery. The National Audit Office (NAO), which has access to all departmental papers, says:

**"The department was not able to explain to us how it originally decided on October 2013 or evaluated the feasibility of roll-out by this date."<sup>1</sup>**

IDS is adamant that the timetable was given to him by the civil service.<sup>2</sup> Civil servants, and Stephen Brien, are clear the timetable was political. "Politically, it had to have started by the end of the parliament to make it irreversible," Brien says – reducing the risk that a new government would kill it off. Or, as one senior civil put it:

**"IDS believed he had three to four years to get this established. So, when he was told it might take eight to 10 he'd say, 'but we haven't got eight to 10 years!'"<sup>3</sup>**

Universal Credit was not helped in its launch by Francis Maude's wider agenda of government reform at the Cabinet Office – in particular his quest to revamp totally the way the government commissioned and managed large IT projects. The days of 'big bang' IT solutions and 'mega' contracts that could be worth billions were over, Maude declared. There was a presumption against anything with a lifetime value of over £100m (and Universal Credit was clearly going to cost a lot more than that).<sup>4</sup>

Furthermore, future services were to be 'digital by default'. DWP's past approach, on occasions very successfully, was to design and test an entire system before cascading

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\* Unless stated otherwise all unattributed quotes in this section are from the author's 2016 report *Universal Credit: From disaster to recovery?*, found at [www.instituteforgovernment.org.uk/publication/report/universal-credit-disaster-recovery](http://www.instituteforgovernment.org.uk/publication/report/universal-credit-disaster-recovery)

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it out into its hundreds of offices – a so-called 'waterfall' approach. Now it was expected to adopt, from the private sector, the relatively newly fashionable 'agile' approach. This involved engaging with users to design a new system step by step,

**“But we haven't got eight to ten years.”**

**– Iain Duncan Smith**

trying out the stages and adapting and rewriting them in the light of feedback from both staff and clients. 'Agile' is claimed to raise the chance of spotting complex problems early while reducing the risk of building in problems that can then be mighty hard to resolve.

Neither approach, needless to say, guarantees success. But the prospects were diminished in this case by the fact that the department had no experience of 'agile'. It ended up with three of its traditional suppliers – Accenture, HP and IBM - with the policy work being done at Caxton House in London. The issues raised by seeking to align the rules of six different benefits into one were so complex that the regulations alone were not completed for more than two years.

In the meantime, under huge time pressure, the IT was already being developed in Warrington during a period when the full details of how Universal Credit was expected to work were not yet available. At one point there were 1,000 people developing the IT in Warrington, Newcastle and London (but with much of the code being written in India), while the 'claimant commitment' was being built in Sheffield, somewhat detached from the London policy teams. As the NAO was to put it: DWP “experienced problems incorporating the agile approach into existing contracts, governance and assurance structures”.<sup>5</sup>

On top of that, the department was facing a £2.7bn, or 26%, reduction in its running costs as part of the coalition government's drive to cut the deficit and, aside from Universal Credit, it had 11 other major projects on its books. These included a total rebuild of Labour's welfare-to-work projects, a revision of ESA, the introduction of the Personal Independence Payment for disabled people and the introduction of automatic enrolment for pensions, to name just a few – all at the same time as it was making billion of pounds worth of cuts to the benefits bill through measures that included the so-called 'bedroom tax' and a cap on the total sum claimant families could receive. The department, in other words, was overloaded.

Finally, the government was revamping the way it oversaw major projects – from a 'gateway' approach that Labour had adopted, to a more rigorous and compulsory series of reviews by a newly created Major Projects Authority. With the MPA still getting up and running, however, Universal Credit was never subjected to the initial 'starting gate' process that it would otherwise have received.

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## DWP tried to run before it could walk

To cut a very exciting but very long and tortuous story short, what happened was that the department embarked on delivery before it really had a plan. “Work on building the system began as soon as the white paper was published,” according to David Freud.<sup>6</sup>

“Through much of 2011,” Stephen Brien says, and with the full regulations well short of completion, “it was a whole load of little things building up that weren’t going right. It was like the frog in the slowly heating water. It doesn’t realise until too late that it’s being boiled.”

Universal Credit was to be ‘digital by default’, operating via the web and smartphones. That meant that, for the first time, claimants would themselves have access to the department’s huge and somewhat creaky IT systems. Early on, Freud (who incidentally had only recently been saved by his bank from an IT fraud) was asking anxious questions about security without, he says, getting any rapid answers. Meanwhile GCHQ was flagging similar concerns to No.10.<sup>7</sup>

The MPA’s project reports were not published at the time. But internally it produced a string of increasingly critical ones that culminated in January 2013 with a two-week review that included a visit to Warrington, rather than the simpler and more standard review of documentation and interviews with the project’s senior staff. Tom Loosemore, who led that visit, says:

“We did a lot of one-on-one interviews, assuring people that what they said would not be attributable. And under nearly every stone was chaos. People burst into tears, so relieved were they that they could tell someone what was happening. There was one young lad from one of the suppliers who said: ‘Just don’t put this thing online. I am a public servant at heart. It is a complete security disaster.’ There was no way Universal Credit could be launched as a digital service.”<sup>8</sup>

David Pitchford, chief executive of the MPA, says: “Once we got to Warrington it was clear that what we were being told in terms of the capability of the department to deliver the project, and the progress and the timeline, was clearly unachievable.”

The project was paused and in February 2013 a mighty meeting ensued that included ministers and officials from the Treasury, Cabinet Office and DWP, along with the cabinet secretary, Sir Jeremy Heywood, and Sir Bob Kerlake, the head of the civil service. The money for developing Universal Credit was cut off, and shortly afterwards, partly at IDS’s request, Pitchford went in for 13 weeks as the fourth senior responsible owner in two years to see if Universal Credit could be fixed. At the same time, a small team from the Cabinet Office’s Government Digital Service was seconded across to begin building from scratch an entirely separate and agile version of Universal Credit.

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At this moment, Danny Alexander, as chief secretary, was crucial in keeping at least some money flowing to keep the project alive.<sup>9</sup> It was decided to proceed with a scheduled pilot of Universal Credit in April 2013, using the original software. This single pilot was reduced from the four originally planned, however, and was limited to the simplest possible cases, not the fuller range of new claims originally intended.

### **The most significant meeting in the history of Universal Credit**

Pitchford departed in May 2013, having appointed Howard Shiplee, the director of construction for the 2012 Olympics, as Universal Credit's fifth SRO. His work came to a head in November 2013 with probably the most significant single meeting in Universal Credit's history. The cast list was as big as the February meeting.

Francis Maude wanted to kill off the original system and go only with the new, secure and agilely built one. Shiplee, IDS, Freud and Robert Devereux, DWP's permanent secretary, wanted a twin-track approach: keeping and very slowly expanding the original system to more offices and different types of claimant to see how they reacted to it, while the new system with its own 'test and learn' approach was created. In the end, the twin-track approach won the day – even though the security concerns over the software meant many manual workarounds were needed with much more use of telephone and face-to-face contacts than originally intended.<sup>10</sup>

What was remarkable was how little of this had reached the public domain. The computer press had noted the repeated changes of SRO. Answers to parliamentary questions had become less precise about the timing of the roll-out and some had noted that the four April 'pathfinder' pilots had been reduced to one, suggesting trouble. The MPA's much delayed first annual report in May 2013 listed Universal Credit as a 'red', or 'unachievable' project, but with no detail as to why.

### **Enter the NAO**

All that changed however, on 5 September 2013 when the NAO published *Universal Credit: Early progress*.<sup>11</sup> Ironically, what this report chiefly charted was the lack of progress.

It listed the dozen separate reviews to which Universal Credit had been subject and the repeated failure to implement the recommendations from them. It spoke of a "fortress" mentality within the programme and a "good news" reporting culture in the department – one "that limited open discussion of risks and stifled challenge".

The source of many problems, it said, "has been the absence of a detailed view of how Universal Credit is meant to work". Three years in, this was damning. Some £34m worth of IT had been written off with the prospect that more would have to be. The department, the NAO judged, would "need to revise the programme's timing and scope".

The headlines were gruesome. IDS continued to insist that Universal Credit was still, more or less, on track as he and the department found itself under fire from the Public Accounts Committee, which levelled accusations of failure to "understand", "monitor", "challenge", "be candid" and "control".<sup>12</sup>

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The initial estimates of how long it would take to build the new digital system rapidly proved utopian. But over 2014, the original version of Universal Credit – dubbed, not very helpfully, the ‘live’ version – was slowly rolled out to more Jobcentres for single people. In June 2014 a tiny number of claims were accepted from couples, and from November, from couples with children. By now some £130m worth of software had been written off or written down (specified to be used for less than its original build life).<sup>13</sup>

As if by way of final evidence that the programme was plagued by bad luck and not just by bad judgment, in December 2013 Howard Shiplee contracted Bell’s palsy and was able to return to work only part-time. He took the view that Universal Credit could not successfully be “pushed” out into the Jobcentres. It needed to be “pulled in” by someone with deep operational experience. And so, in September 2014, Neil Couling became the project’s sixth SRO. In sharp contrast to the previous four years, when there had been one secretary of state but five SROs, Couling was to be the SRO for the next decade as no fewer than 10 work and pensions secretaries passed through the department.

Couling was a DWP lifer who had been principal private secretary to Labour’s Alistair Darling. He had helped develop some of the ideas for a single working-age benefit and had been with Universal Credit in its very earliest days before becoming director of working-age benefits. He had also been responsible for the operational running of all the Jobcentres, the by now universal application of the claimant commitment, and the operation of the original ‘live’ versions of Universal Credit in the Jobcentres where it had been introduced. He had been at the key ‘reset’ meetings. In short, he had plenty of knowledge of Universal Credit, warts and all. His appointment coincided with that of Ian Wright as Universal Credit’s seventh programme director, who, like Couling, was to stick with Universal Credit for a decade. Couling and Wright were to prove a formidable team.

One of Shiplee’s other key decisions was to revamp the governance of the project. No longer was the programme board to be chaired by him as the SRO. Instead, Sir Robert Walmsley, a vice admiral who had been chief of defence procurement, was brought in as an independent chair. That change, insiders say, started to tackle the fortress mentality and good news culture that had plagued the programme. As Shiplee put it: “How could I, as senior responsible owner, conduct a meeting to review and perhaps question my own plans?” It was, as one DWP director puts it: “Absolutely the right thing to do. It meant that people could talk about what wasn’t going well without feeling that they were insulting the chair of the meeting who was responsible for the programme.” As Couling was later to say: “There is really good challenge in the programme now.”<sup>14</sup>

In the run-up to the 2015 general election, the heat on Universal Credit declined, with many fewer parliamentary questions being asked. Labour’s election promise on Universal Credit was merely that it would “pause and review” the programme.

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## The Conservatives return

The 2015 general election saw the Conservatives defy projections of a second hung parliament. They returned with a majority of 12 as the Liberal Democrats lost 49 of their 57 seats. Once again to many people's surprise, IDS returned to DWP with Lord Freud also returning to his job as minister of state.

What was less surprising was that Universal Credit's digital system was taking much longer to build than hoped, and it was now crystal clear that the original 2017 timetable was wholly unrealistic. A delay to 2019 was proposed. This, Couling says, "produced a stand-off" with IDS, who had continued to tell MPs that the scheme was "on time and on budget". Duncan Smith did not speak to Couling for three months, which, Couling says, "is a bit of a problem when you're implementing a big programme". But at the end of the day, the secretary of state not only backed the change, he even asked if more time was not needed – which, given the pressure IDS was under over the timetable, was "a measure of the man" in Couling's judgment.<sup>15</sup>

George Osborne was also a returnee as chancellor, this time armed with a manifesto promise of another £12bn of welfare cuts. Some £4bn of them were to come from cuts to the generosity of tax credits – a measure that the House of Lords controversially defeated. However, the matching £4bn cut in the generosity of Universal Credit remained.

The immediate impact of that was tiny. In December 2015, a mere 140,000 people were receiving Universal Credit compared to the 4 million who should have been. But this meant that rather than Universal Credit potentially costing more, it would now cost less in the long run than tax credits. So, for the first time, the Treasury had a direct interest in Universal Credit being rolled out because it would, eventually, save money. So, for the first time since IDS had won his battle to get it launched, the interests of all parts of the government in making a success of Universal Credit aligned – from DWP to the Cabinet Office, HMRC, Treasury and No.10.

### Iain Duncan Smith's resignation

It is that fact that may well have made possible IDS's resignation in March 2016. Universal Credit may just have reached, so to speak, the point of no return. "It was the thing that allowed Iain finally to say this thing is now not dependent on me," according to Philippa Stroud, the closest of his special advisers. "This thing will now happen, so I don't have to be here. If it is not going to happen, it will not happen for reasons other than my absence or my presence. So the Treasury getting behind it was huge. Absolutely huge."



**"A compromise too far"**  
– Iain Duncan Smith's 2016  
resignation letter

The proximate cause of IDS's resignation within 48 hours of Osborne's March 2016 budget was a cut of £1.3bn to the Personal Independence Payment to disabled people – announced in a budget that also brought tax cuts for higher earners. That IDS said was "a compromise too far", particularly when the government was refusing to reduce

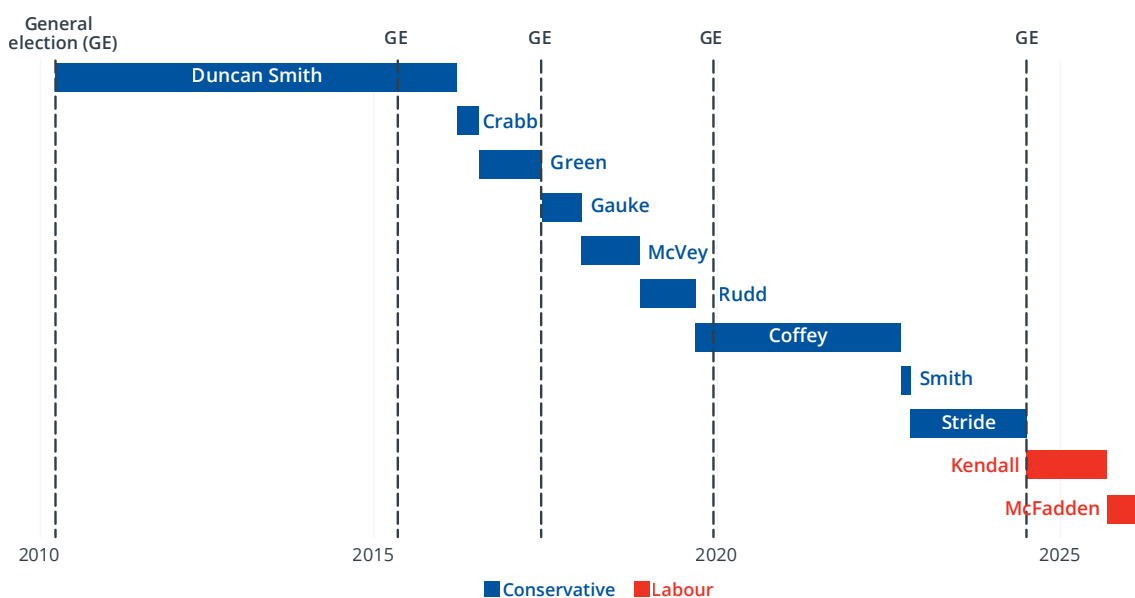
benefits for better-off pensioners. His resignation letter, however, also made clear that repeated cuts to the generosity of Universal Credit had played their part in his decision to go. The government’s vision of a new welfare-to-work system, “could not be repeatedly salami-sliced”.<sup>16</sup>

So he quit. And six months later, in December 2016, after six exhausting years at the coal face of Universal Credit and longer in its design, Lord Freud followed him out of the department. His judgment was that the programme was now sufficiently “under control”, as he put it in his account of his role in creating Universal Credit.<sup>17</sup>

## DWP’s revolving door starts spinning

IDS’s departure marked the start of a period of truly remarkable ministerial churn. As Brexit was followed by the Covid pandemic, the Conservatives went through five prime ministers who appointed eight different secretaries of state for DWP in six years.

Figure 1 Secretary of State for Work and Pensions, 2010–



Source: Institute for Government analysis of IfG Ministers Database.

Stephen Crabb, the first of IDS’s replacements, lasted just four months. Then, as Cameron departed after the EU referendum, in came Theresa May as prime minister and with her Damian Green to DWP. He was close to May, and, probably helped by that, he was able to announce another very significant slowing of the timetable – caused this time, and for the first time, not by problems with the programme but by the policy changes that stemmed from Osborne’s spending decisions, namely the introduction of the two-child limit and the removal of housing support from 18- to 21-year-olds. Both required big software rewrites.

The final transfer of claimants from what were now termed the ‘legacy benefits’ was not now expected until March 2022, almost five years later than planned. The key

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difference in Green's plan was that, for the first time, some contingency was built in. In July 2016, Couling – at two years in post now Universal Credit's longest-serving SRO – told the Public Accounts Committee that (subject to a lengthy string of qualifications) he was now "confident that we can deliver to this timetable".<sup>18</sup>

Couling's confidence was, in part, built on the fact all 650 Jobcentres were now offering Universal Credit to single claimants and small but growing numbers of them were doing so to all types of new claims, if only on the original system with its many manual workarounds.

In November 2014, however, that changed, as in a tiny part of Sutton in south London, the new digital service went live. Well over a year after its initial 'proof of concept' it started with just 24 claimants who were the simplest possible cases, with more than 100 people watching over them and the IT to ensure no disaster ensued. This was the digital service's first real life trial of its 'test and learn' approach.

As it appeared to work, it was expanded – very slowly. It wasn't until February 2016 that every Jobcentre in Sutton accepted all types of new claim. But in May 2016, Jobcentre by Jobcentre and initially in batches of just five, the roll-out nationally of the 'full' digital service began. All of this was for new claims only. The transfer of millions of households from the legacy benefits to Universal Credit had yet to begin.

## **Universal Credit collides with real life**

The relative calm around the programme did not last long. In June 2017 May went to the country. She lost her majority, having to run a minority government with support from Northern Ireland's Democratic Unionist Party.

That coincided with the effects of the 2015 round of welfare cuts being increasingly felt and problems starting to emerge with Universal Credit's design and operation. It was not just that there was the *intended* six-week wait for the first payment. Citizens Advice reported that waits of 10 or even 12 weeks were "not unusual".<sup>19</sup> DWP admitted that only 80% of claims were paid in full on time, although it said 89% received some payment. It conceded that it made some errors. But it blamed much of the delay on claimants not providing the right information or failing to sign up promptly to the commitment to look for work.<sup>20</sup> Stories of real financial hardship started to emerge<sup>21</sup> along with complaints that the DWP helpline, for this digital product, was charging 55p a minute.

Universal Credit started to collide, too often unhappily, with real life. Its payments are made in arrears but rent can need to be paid in advance. As a result, rent arrears rose; there were evictions. Stories emerged of people losing not just their homes but their jobs – the opposite of the scheme's intention – while food bank providers said that demand rose significantly in each area when Universal Credit was introduced.<sup>22</sup>

Across 2017 and 2108 negative media coverage rocketed. *The Guardian*, for example, had 36 stories with Universal Credit in the headline over 2015/16 but 174 – a near five-fold increase – over 2017/18. In parliament, Jeremy Corbyn's Labour Party moved

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to oppose Universal Credit and turned up the heat. There were repeated select committee inquiries and many hundreds of parliamentary questions with concern not limited to the opposition benches.<sup>23</sup> In October 2017 when Labour put down a symbolic motion calling for Universal Credit to be paused, it passed by 299 votes to zero as the government ordered its MPs to abstain, aware that there was sufficient worry on the Conservative benches for it to be at risk of losing the vote if it opposed.

After huge parliamentary pressure, at the November 2017 spending review the government scrapped the initial seven-day waiting period, reducing the overall wait for the first payment from six weeks to five. Advances of 50% of likely benefit had been available to tide people through that wait, though few appeared to be aware that they were available. David Gauke, now the work and pensions secretary, raised the possible advance to 100%. He promised to ensure claimants were made aware of them, and he extended the repayment period from six to 12 months. Among other changes, and to tackle rent arrears and ease the five-week wait, new claimants already on Housing Benefit received a two-week run-on of their rent that did not have to be repaid.<sup>24</sup> In 2020 that two-week run-on was to be extended to Income Support, Employment and Support Allowance and Jobseeker's Allowance.

## **Universal Credit collides with parliament**

The 2017 concessions did little to stem the parliamentary battering, which was only enhanced by a third National Audit Office report in June 2018 – *Rolling out Universal Credit*.<sup>25</sup> From the department's point of view the report did contain the good news that "we think that there is no practical alternative to continuing with Universal Credit", and that the department "has now got a better grip of the programme in many areas". The original 'live' service was working tolerably well, the NAO said.

But that was about the limit of the good news. Four in 10 of those on the newer 'full' service were experiencing financial difficulties – although the report provided no comparison with the many claimants of the legacy benefits who also said they were experiencing financial difficulties. It went on to spell out the myriad problems that claimants were having with the digital version of Universal Credit. Yet, it said, the department "does not accept that Universal Credit has caused hardship" because advances are available.

**"This has led it to often dismiss evidence of claimants' difficulties and hardship instead of working ... to establish an evidence base for what is actually happening. The result has been a dialogue of claim and counter-claim."<sup>26</sup>**

Amyas Morse, head of the NAO, said the department had pushed Universal Credit forward through a series of problems but "we don't think DWP has shown the same commitment to listening and responding to the hardship faced by claimants". The report triggered yet more hostile coverage and a truly bitter hearing at the Public Accounts Committee.<sup>27</sup> The reputation of Universal Credit was in tatters. Evidence started to emerge that people were scared of claiming Universal Credit in the first place and were frightened of transferring to it from the legacy benefits.<sup>28</sup>

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The NAO report came as a bitter disappointment to DWP. Despite the parliamentary furore – more than 1,200 questions were asked in the Commons alone in 2018 – the feeling internally was that Universal Credit was progressing well. In December 2017 the department had felt sufficiently confident in the newer version of the software to close down the original old 'live' service while rolling out the new 'full' service for new claims at a steadily increasing pace that saw all Jobcentres covered by the end of 2018.

The NAO's strictures did, however, have one key positive outcome. Couling says:

**"What the NAO in effect were saying to me ... was that, because of all the attacks on the programme and indeed on me personally, we were retreating once again into a fortress mentality. So I took the decision to throw the doors open and went out to all the stakeholders and said "come and help us with the next phase of the programme" – which was the managed migration across to Universal Credit of the millions still on the legacy benefits."<sup>29</sup>**

Monthly meetings came to be held with a wide range of third sector groups, landlords and local authorities. The deal was that they might not like key aspects of Universal Credit, such as its monthly nature and the five-week wait. They could continue to campaign about that outside of these meetings. But what they would do within them was use their experience of working closely with claimants to help design the migration: seeking to ensure that vulnerable people did not get left behind by bringing problems that did occur to these meetings to get them fixed. Even some of the fiercest critics of Universal Credit say these gatherings did indeed have a genuinely positive impact.

By 2019, with the Conservative Party locked in battle both internally and with the opposition over how to implement Brexit, consensus on Universal Credit disappeared. Labour became so opposed that it was to promise in its 2019 manifesto to scrap Universal Credit. In the face of such opposition, May's minority government proved unable to get through parliament the new legislation needed to manage the 'migration' from the legacy benefits. The programme was stalled.

In the end, a bit of parliamentary sleight of hand was used. A negative resolution was slipped through that set a 10,000 cap on the numbers that could be migrated. Parliament's permission would again be needed to go beyond that. In Harrogate, a small pilot to move people off the old benefits and on to Universal Credit was launched.

In July 2019 May resigned and Boris Johnson became prime minister, winning, in December, an 80-seat majority.

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# The pandemic

The pandemic, inevitably, derailed pretty much everyone's best laid plans. But for Universal Credit it provided its moment in the sun. For the first time since at least 2013, Universal Credit's reputation was quite drastically restored.

## From zero to hero

As lockdown took effect, and before the government's furlough scheme was available, Universal Credit was given a weekly uplift of £20 – the payment going to both those in and out of work.\* The local housing allowance was restored to its 2011 level. The requirement to look for a job (and the sanctions for not doing so) were halted, as was the repayment of old benefit debt. Jobcentres closed to all but essential cases, and some of the online security checks were eased to speed the response time.

Claims rocketed. They peaked at 18 times the normal rate. Almost a million claims came in the first fortnight, 3 million in three months. Some 25,000 laptops were acquired and 10,000 DWP staff were switched to working on Universal Credit, mainly from home. Initial nightmare problems with the telephone help line, which on one day alone received 2.2 million calls, were eased by a 'don't call us, we'll call you' campaign. And, for a system whose IT struggles were well known, while the website slowed at times at no point did it crash. The department was able to claim that something like 93% of payments were made on time. As *The Sunday Times* later put it, Universal Credit went from being "zero to hero".<sup>30</sup>



**"The benefit that kept  
Britain from the brink"**

– *Sunday Times*, 2020

That, quite simply, would not have happened with the old, non-web-based benefits of Jobseeker's Allowance, Income Support and Housing Benefit. The lockdown would have closed Jobcentres and there would have been both physical and financial chaos. Those benefits – the legacy ones – did not get the £20 uplift because it would have taken many, many months safely to update their payment systems, so old was the IT on which they relied.

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\* The uplift was announced on 20 March 2020 and went into payment from 6 April, a timetable that the legacy benefits could not remotely have matched.

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## Completion: 2020 to 2026

Universal Credit's stellar performance during the pandemic did not, however, mean it was out of the woods. Just before Covid struck, there were some 2.8 million households on Universal Credit, the result of new claims slowly building up as the system rolled out to all Jobcentres, and as some of the people on the legacy benefits – most notably on tax credits – migrated across as their award ended and their circumstances changed. As they did this, many would discover that Universal Credit had built within it a remarkably efficient debt recovery machine.

### **£10bn worth of debt**

The result was that a very large number emerged to which very little public attention had previously been paid. Namely that within the system there was some £10bn of benefit debt – accumulated overpayments of Income Support, JSA, Housing Benefit, ESA and, most particularly, of tax credits – that had arisen for a whole host of reasons.

Some 60% of those on Universal Credit, or around 1.5 million households at the time, were repaying various forms of benefit debt. That meant many were living on less than the standard in-work or out-of-work allowance. Half of those were repaying the benefit advances available to cover the now five-week wait, a deduction initially of 8% a month (later reduced to 6%) for those who had taken the full advance that was available. But the other half were repaying *historic* benefit debt – some £2bn of it owed to local authorities for Housing Benefit, more than £1bn for overpayments of JSA, some £600m for 'budgeting loans' from the (by then abolished) Social Fund for the likes of cookers and beds. The biggest single item, however, was tax credit debt.

This debt recovery machine, from the point of view of the exchequer (and arguably of the tax payer), was excellent news. Money that had been overpaid was being reclaimed. But it was naturally less welcome news for those doing the repaying. In 2019 the maximum deduction from benefit had been reduced from 40% to 30%, but even with that reduction repayment was clearly hitting hard the living standards of significant numbers of those on Universal Credit.\*

The bulk of the debt – £6bn of the £10bn – lay in tax credits. As explained earlier, tax credits could easily produce large overpayments, and after 2010 the amount of income that was disregarded before benefit debt had to be repaid had fallen progressively and sharply – from an initial £25,000 right down to £2,500. And there was a wicked additional complication in that HMRC sought to reclaim the money through the tax system. But the coalition government had virtually doubled the threshold at which income tax started to be paid to £12,500. So, for some years, many on the lowest earnings had been repaying none or little of their debt and many no longer realised they even had it. As soon as they moved on to Universal Credit that debt crystallised. It started to be repaid by benefit deductions of up to 30%.

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\* For a couple without children and not in work that could leave just £80 a week to cover food, clothing and all bills other than rent.

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There were repeated reports from think tanks and from Lords and Commons select committees calling for action on this.<sup>31</sup> Most argued that some or all of the debt should be written off, while the five-week wait remained a permanent target for critics. Others proposed some sort of 'silver hello' – for example, a couple of weeks of non-repayable advance for new claimants.

All this kept the problems with Universal Credit in the spotlight. However, the government, after the shock of Brexit and still suffering the effects of the pandemic, believed that there was simply no money available.

### **Thérèse Coffey takes the reins**

Those controversies aside, Covid meant that all the development work on Universal Credit had been halted in favour of just getting money out of the door to those in need. Universal Credit's internal governing body – the programme board – had been put in abeyance. And as the first of the three Covid waves subsided the government's immediate priority was not expanding Universal Credit but getting the huge numbers newly claiming Universal Credit off it and back into jobs as the economy reopened. The result was the Plan for Jobs, which absorbed huge amounts of departmental energy. As did Kickstart – a particular initiative for young people – into which, for a time, went some of the key people in Couling's Universal Credit team.

There was a further problem. In 2019 Thérèse Coffey, who was by her own account a slightly unusual politician,<sup>32</sup> had become the sixth secretary of state since Iain Duncan Smith. On a spectrum that might measure secretaries of state from being operational to strategic, Coffey was firmly at the operational end, and liked to see things for herself – often, for instance, dropping in unannounced at Jobcentres to understand the business.

This proved a challenge – certainly for the civil servants in DWP, who believed they really understood Universal Credit and what needed to be done to make it happen. There were some slightly bizarre disputes, which Coffey herself recalls. One was over the plain brown envelopes being sent out to tax credit recipients telling them that they needed to respond. The response rate was low, so Coffey wanted the envelopes to be more arresting. To her this was obvious. To those running the programme this felt like micro-management.

Like all her predecessors, her initial instinct was that the programme should go faster. Unlike them, when presented with the monumental nature of this change, she did not want to let that go. The goal, by this time, had become to complete the whole process by December 2024, but "I felt it could be done a lot more quickly", Coffey says. "I thought it could be done with a lot more rapid testing." She wanted a 2023 completion date and concedes that "I don't think Neil [Couling] enjoyed that. He felt I was treading on operational areas whereas I believed a lot of this was policy."<sup>33</sup>

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With the agreement of Peter Schofield, the permanent secretary, John McGlynn, an outside management consultant, was brought in. McGlynn, who worked for Atkins (now AtkinsRéalis) says:

**“Thérèse was not in any way happy with the department’s performance, not just on Universal Credit... There was a whole raft of other initiatives which, in her mind, were not going well. But, immediately after we started, the scope of the review was enhanced to look at Move to Universal Credit as the programme to transfer those still on the legacy benefits was known.”**

McGlynn’s broad conclusion was the team did not have the capacity to deliver to the timescales that the secretary of state was demanding and “that led to a lot of tension between the secretary of state and the senior responsible owner”. There was an element, he says, of “who’s in charge?”. McGlynn’s personal view is that “I don’t think 2023 was ever achievable”. Coffey still holds to her view that those on tax credits – a good proportion of whom would have been better off on Universal Credit<sup>34</sup> – should have been transferred as soon as possible. “It was ridiculous,” she says, “that it took so long.”

At the start of 2020, Sir Robert Walmsley’s appointment as chair of the programme board had not been renewed, and while the board had been reconstituted in the October it was being temporarily chaired by ministers. After McGlynn had reported, he was asked in October 2021 to take the chair. That restored the element of independent oversight and judgment that had worked well under Walmsley, and which had been lacking when the chair was a civil servant or minister.

This took the edge off some of the internal tensions – up to a point. Externally a battle continued to rage over benefit debt, the five-week wait and on whether the ‘temporary’ £20 uplift in Universal Credit made in response to Covid-19 should be made permanent. It was kept in place well into 2021 with Rishi Sunak, the chancellor, and Boris Johnson, the prime minister, under huge pressure to retain it. In July 2021, all six secretaries of state who had worked on Universal Credit ratcheted up that pressure by writing an open letter to the chancellor arguing that it should be retained.<sup>35</sup>

In October 2021, the £20 uplift for the 4 million or so out-of-work recipients was removed. But in return the work allowances were increased, and the taper rate for the 1.9 million in work underwent a significant cut – down from 63% to 55% (the figure originally sought by IDS).<sup>\*</sup> The full year cost of those measures was £2.2bn, as against the £6bn it would have cost to retain the £20. The twin measures strengthened work incentives.

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\* The original 65% taper had been cut to 63% in 2017. A reduction too small to be likely to have had any impact on work incentives

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## Return of the revolving door

Coffey may have wanted the tax credit transfer to go much faster, but this could not be done at scale until the 10,000 cap on managed migration cases was lifted. For assorted reasons, including parliament worrying about how much scrutiny it would have over the programme once the cap was gone, the necessary regulations were not passed until July 2022.

And then, in September, Johnson's premiership ended and Coffey left DWP to become deputy prime minister to Liz Truss. For the 49 days of Truss's premiership Chloe Smith became secretary of state. Micro-management was replaced by political direction – which continued when Mel Stride was appointed by the new prime minister, Rishi Sunak, in October; he became the ninth person in 12 years to hold the post.

In April 2022, with the pandemic and its restrictions finally over, the department had started what it dubbed a 'Discovery' phase in which some 500 legacy claimants of all types were moved on to Universal Credit, the department learning and adjusting as problems emerged. But, thanks to the turmoil that Covid had created, progress on managed migration had been close to invisible. With millions still on the legacy benefits, there was by September 2022 no chance of hitting the then target of 2024 for completion of the roll-out.

## One final delay?

The turmoil in the bond markets caused by the Truss premiership meant that Jeremy Hunt, her replacement chancellor, opted for both tax rises and spending cuts. Couling spotted an opportunity. By pushing the final transfer of Employment and Support Allowance (ESA) cases out to 2029 – but continuing with the potentially less sensitive other benefits such as tax credits and JSA – the Treasury could score a notional billion pounds worth of savings from the slower timetable. Without the need for legislation.

The delay could also be presented as a piece of fiscal consolidation, not a problem with the programme. This final delay – which if it had held would have meant Universal Credit taking 19 years from conception to completion – attracted little attention amid the turmoil created by the Truss premiership.

With the delay came two things. First it was decided to concentrate initially on the 1.5 million tax credit cases, in part because there were significant winners among such cases and because HMRC wanted to be rid of them. "That relationship really developed," McGlynn says. "There was genuine seamless working between the two departments, each helping the other ensure it went smoothly." In addition, the work with the third sector stakeholders was built up, the monthly meetings catching problems early and allowing them to be resolved. This evolved into the Enhanced Support Journey for potentially vulnerable customers, its role becoming increasingly important as those on income support and, in time, ESA came to be transferred.

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# Universal Credit under Labour

July 2024 saw a Labour landslide at the general election – but with the party’s attitude to Universal Credit being markedly different to 2019 when it had been promising to scrap it. Labour’s manifesto said it was “committed to reviewing Universal Credit so that it makes work pay and tackles poverty”. To DWP the promise of review and not reform was a considerable relief.

In March 2025, and for the first time in the entire history of Universal Credit, a review by the Infrastructure Projects Authority (the Major Projects Authority’s successor) rated the project green, judging that “successful delivery of the programme to time, cost and quality appears highly likely”.<sup>1</sup>

**“Labour is committed to reviewing Universal Credit so that it makes work pay and tackles poverty.”**

– Labour Party manifesto, 2024

Progress was sufficiently smooth that it was announced in November 2025 – by way of a written parliamentary statement and without the need for a contentious debate – that all the remaining legacy benefits would indeed close at the end of March 2026, with all ESA and other claimants transferred. There was to be another £15m for the Help to Claim programme that Citizens Advice had been running since 2019.

Stephen Timms, DWP minister of state for social security, said that the progress was going so well that the movement of the most recent 500,000 people on to Universal Credit had produced just 35 complaints to DWP, of which only 10 had been upheld.<sup>2</sup>

It was highly notable too that the media storm over Universal Credit had subsided. Over 2023, 2024 and 2025, millions were migrated across from the legacy benefits with very few media accounts of the process going wrong. In March 2025, the department and ministers felt sufficiently confident to close down the programme board, a year ahead of final closure of all the legacy benefits.

Finishing the roll-out a decade and a half after Universal Credit was announced and nearly a decade later than planned does not mark the end of the Universal Credit story. Changes to it of one sort or another will continue\* – but it does represent a moment of completion. It offers a good moment to reflect on the journey.

So what went wrong, and what went right?

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\* Indeed, during the writing of this it has been announced that the two-child limit that affects Universal Credit claimants is to be abolished, that all children on Universal Credit will now qualify for support with childcare costs, and eligibility for these to be paid up-front is being extended for those returning from parental leave.

Welcome to

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# Part 2: lessons from Universal Credit

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Any major project completing close to a decade later than planned clearly shows some deviation from the ideal. So what went wrong, and what was the context into which Universal Credit was launched?

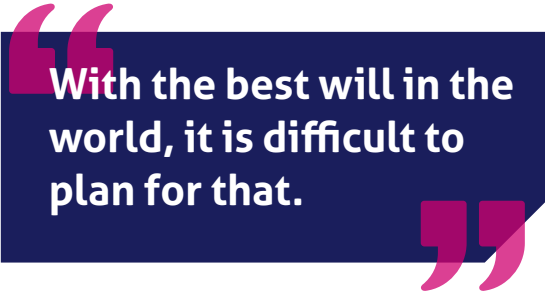
## The context into which Universal Credit was launched

Universal Credit was caught by four factors outside its immediate control. The first was a decision by Francis Maude, as minister for the Cabinet Office, to seek to change fundamentally the way government handled IT – an end to ‘mega contracts’ and ‘big bang’ solutions. There was undoubted merit in that. But it landed just as DWP, by way of Universal Credit, was seeking to launch one of the most heavily IT-enabled business changes, one of its biggest bangs, in its existence. With that went a ‘digital by default’ strategy and a switch from the ‘waterfall’ to ‘agile’ approach to which the department struggled to adapt. A plus-side to all this was Maude’s establishment of the Government Digital Service, which was, in Universal Credit’s darkest days, to ride to its rescue.

Second, government oversight of big projects was changing in parallel. There was a move from the Office of Government Commerce, with its ‘gateway reviews’, to the more interventionist approach enshrined in the new Major Projects Authority. The MPA, however, was being built as Universal Credit was launched, and so Universal Credit did not go through the more rigorous ‘starting gate’ assessment that was to be introduced.

Third, Universal Credit was launched into a period of austerity, which saw the department having both to implement an initial £12bn of benefit cuts and reduce its operating budget by a quarter, shedding 39,000 staff while merging several jobs at the top of the organisation. Universal Credit’s own programme budget was ring-fenced, but DWP plainly had a lot else on its plate, and the benefit cuts themselves came to damage Universal Credit’s reputation.

Fourth, there was an element of sheer bad luck. Two of the project’s first six senior responsible owners retired through ill health and one died in harness. With the best will in the world, it is difficult to plan for that.



**With the best will in the world, it is difficult to plan for that.**

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# Issues specific to Universal Credit

## The timetable

The original timetable was, to put it mildly, nonsensical. In a 2014 interview, one of the suppliers who had signed up to try to deliver it described it simply as “madness”.<sup>1</sup> David Pitchford, then chief executive of the MPA, says:

“[Universal Credit was] announced before it was planned. This is a common issue in major public enterprise projects worldwide because a prime minister or a minister wants to make an announcement and get under way.”\*

There was, he says, no lack of passion or desire. “But the programme was commenced before the new end state was mapped.” It was not straightforward in parliament either, taking almost two-and-a-half years to get all the legislation passed – though, given the complexities of what was involved, that should probably not have been a surprise.

## ‘New government syndrome’, optimism bias, and a good news culture

New government syndrome is a repeated challenge for the civil service, and a hard balance to get right, particularly after a long period of government by one party. The department was keen to do Universal Credit and it was keen to demonstrate both its willingness to support the new government and its ability to move fast. Too fast, as it turned out.

Optimism bias is such a common cause of failure in both public and private projects that it seems quite remarkable that it needs restating. But it does – endlessly. It was there in the original white paper, which stated, quite remarkably, that this was “an IT development of moderate scale” that the department was confident of handling. It was there in the department’s annual reports, almost to the point of denial. One, from July 2012, just after the MPA had declared that core areas of the project looked undeliverable, said “the design and contractual work for Universal Credit [has] progressed well”.<sup>2</sup>

With that went what the National Audit Office described as a “fortress” mentality as things started to go wrong, and a “good news” culture.

## Overload

The department had no fewer than 11 other major projects under way in addition to Universal Credit at a time when it was having to cut its headcount by 39,000. Some interviewed for this paper insisted that overload was not a problem for Universal Credit, but the NAO’s judgment is “the department did not have sufficient understanding of its portfolio of programmes or overall capacity”.<sup>3</sup>

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\* As above, any unattributed quotes are taken from the author’s 2016 report *Universal Credit: From disaster to recovery?*, found at [www.instituteforgovernment.org.uk/publication/report/universal-credit-disaster-recovery](http://www.instituteforgovernment.org.uk/publication/report/universal-credit-disaster-recovery)

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## A lack of technical capability within DWP

The department had an IT and organisational record of which it was proud. In the 2000s it had undertaken the huge and successful merger of unemployment and benefit offices, to budget and pretty much on time. More recently it had introduced the Employment and Support Allowance, where the IT itself worked well. But for Universal Credit it was expected to take an 'agile' rather than its traditional 'waterfall' approach to the software and as a result it struggled.

There was a further complication. During the 1990s and in the early 2000s, when the outsourcing of IT became a Whitehall-wide given, the theory was that once outsourcing had happened, anything that went wrong was, by definition, the supplier's problem. If things did go wrong, the penalty clauses would kick in. The supplier's reputation would be at stake. They would respond and all would be well. In other words, what got outsourced was not just Whitehall's in-house ability to build major IT, but also the ability to manage the contract once it had been let.

When that theory proved not to work, the standard response was to hire a client-side adviser to provide the contract management skills that departments now lacked. In the case of Universal Credit that was not done. As a result, as things began to go wrong, the department ended up having to commission reviews\* – including in January 2012 hiring IBM, which was already a supplier, to act as the applications development integrator to provide "some oversight and overall management of IT development", as the NAO put it.

That, however, created the risk of "supplier self-management".<sup>4</sup> And what that led to, as David Pitchford put it, "is that you get what they give you. The components were not all linked up, and there was no guarantee that it was all going to work in the end."

**"The battle to keep it alive, thriving and healthy, was off the scale."**

– Philippa Stroud, chief special adviser to Iain Duncan Smith

## People, personalities and departmental differences

Studies like this tend to look purely at structural issues and avoid personalities. But policies are implemented by people. And as with, for example, the demise of the Audit Commission and the coalition's Health and Social Care Act 2012, they are sometimes unavoidable.

Iain Duncan Smith and George Osborne were never the best of friends. There were some blazing rows between the two that to some in the room did not seem always to be strictly about the policy. IDS's relations with Francis Maude at the Cabinet Office waxed and waned. And at the beginning of all this the Treasury – somewhat burnt by the experience of tax credits – was largely unbelieving that Universal Credit would deliver what was promised.

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\* Among them IDS commissioning a 'red team' review. See IfG's [Universal Credit: From disaster to recovery?](#), pp. 41–42.

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Sir Leigh Lewis, the DWP permanent secretary at the time, says this was not that surprising. “The Treasury had heard all that before, from so many people in different departments, so many times. ‘I promise you the most wonderful treasure, so long as you invest in a few more galleons’.”

The result was a real battle with the Treasury to get Universal Credit launched at all – a battle in which, as they were to be later, the Liberal Democrats Danny Alexander, as chief secretary, and Nick Clegg, as deputy prime minister, proved crucial. Later on, the Treasury became very supportive. But as Philippa Stroud, IDS’s chief special adviser, has put it:

“If the government commits to a £2.5bn programme, they can’t give their support to it reluctantly. They have to view it as a whole-of-government priority, and all the players, right from day one, need to buy into it and not constantly attack it. The battle to keep it alive, thriving and healthy, was off the scale. It should not be that difficult to achieve good things in government. There were way too many incoming missiles.”<sup>5</sup>

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## What went right?

If many of the lessons are about what went wrong, there are plenty more about what then went right to rescue the project – lessons that could help other projects avoid Universal Credit’s mistakes.

### Test and learn

After the 2013 nadir, ‘test and learn’ became the project’s mantra, though it was to take three forms. First, test and learn is an essential part of building the software in an ‘agile’ way.<sup>1</sup> The code is developed in small segments, tested with clients and staff and then amended if necessary, rather than a complete programme being developed before large scale testing.

Second, the decision – highly contested within government at the time – to adopt a ‘twin-track’ approach, proved to be a second version of test and learn. By using the original software to roll out an initially very limited version of Universal Credit, DWP and its staff learnt a lot about how claimants were reacting to this new benefit and to the new ‘claimant commitment’. That in turn informed the ‘agile’ build.

The third element proved to be engaging clients and stakeholders in operational design.

### Engaging claimants – or clients or customers – in operational design

Starting in 2018, and reinforced in 2020, DWP created a stakeholder forum of third sector organisations and others who were in close contact with people reliant on Universal Credit and its legacy benefits. This monthly forum advised on how managed migration should be handled, not least for the most vulnerable, and brought emerging problems – of which there were plenty – to the programme early. This proved to be, in essence, a third form of test and learn and the forum is credited with helping stop those problems emerging at scale.

In addition, DWP ran some sessions where it paid claimants to spend a day with those designing the information and questions needed for managed migration, essentially asking ‘does this work for you? – does that work?’. That insight, Couling says, meant that much of the Enhanced Support Programme aimed at ensuring vulnerable claimants did not get lost during the migration process was co-designed:

“It also meant that on occasion when MPs said ‘why don’t you do this?’ we could say ‘well, we’ve asked claimants about that, and they don’t think it is a good idea.’ Doing this can be hard. It is almost against our core DNA as civil servants to go out and do this sort of stuff. But it really works.”

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John McGlynn, the programme board's independent chair, says:

**"[the approach] paid huge dividends. There are some key lessons for government around that: engaging with organisations that are perhaps closer to the communities that are affected by policy decisions than a given department is. Really engaging over implementation and understanding the challenges people face."**

Up to a point, and under Labour, it is being adopted more widely across government. In 2025 Pat McFadden, when he was minister for the Cabinet Office, launched non-DWP pilots that use the approach for family support and temporary accommodation.<sup>2</sup>

### **Bringing the IT design in house**

For the second iteration of Universal Credit, the IT build was brought in-house – the first in-house system DWP had built in 20 years. That meant hiring scores of digital engineers with the department breaching standard pay rates to obtain them. But that allowed for a highly agile approach – with the engineers working essentially in the same room with policy, operations and security people to crack the myriad problems involved in building Universal Credit.

How far that is an answer that could be applied across government will depend on the project. In Universal Credit's case, Couling argues that hiring people direct was cheaper because there was no mark up on the contract – but also, in this case, there was no contract. With a standard IT contract even small changes have to be negotiated, and become contract variations:

**"For something like Universal Credit you need the ability to test and learn. You need the ability to make mistakes, you need the ability to quickly pull out. And if you're in a contractual relationship and you've signed up for something, it's very hard to pull out when you see a problem."**

Standard products should just be bought off the shelf, he says. "But if you are going to embark on a big transformation IT programme, I would advise people to control the means of production as much as they can."

Tom Loosemore, author of *The Radical How*,<sup>3</sup> who was a key member of the Government Digital Service that built the first 'proof of concept' for the genuinely digital version, says:

**"[the big shift is not necessarily] where you build the software, though you can argue that matters for something as unique as Universal Credit. I think the big shift is civil servants taking back control of the design of the service, which includes the technology. It was that being outsourced that led to many of the**

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disasters, including the Post Office and others. You need to understand and control the design of the technology rather than outsourcing it.”

### **Slow, slow, slow, fast**

This became a hallmark of the programme: first for the roll-out of the original 'live' service, then for the 'full' one and then for managed migration of each of the legacy benefits. The initial roll-out was a barely discernible snail's pace. But it did ensure that each extension of the programme – from single childless people, for example, to couples, to couples with children and so on – was thoroughly tested before being applied at scale.

It also had the advantage that, when DWP finally was confident, it could go decidedly fast. In 2018, the full service for new claims was rolled out to three quarters of the 600-plus Jobcentres in nine months, the first quarter of them having taken three years.<sup>4</sup> The transfer of some 1.5 million ESA cases is being all but completed in a little over a year off the back of the experience of migrating the other legacy benefits.

### **Governance**

This comes in two sections. First the governance of the programme board. The view of many of those involved is crystal clear that the board – and so the programme – worked best when the board had a chair independent of the civil service and ministers. It helped tackle the 'good news' and 'fortress' culture that had plagued the programme's early days, and it gave ministers an independent take on progress and achievability.

The programme board also came to have a much broader membership than just from DWP – genuinely senior officials attended from HMRC (which had a direct interest via tax credits), the Treasury and the Cabinet Office, plus a representative from local government.<sup>5</sup> That raised the level of challenge, but also provided key parts of the rest of central government with a much greater month-by-month understanding of the programme than would otherwise have been the case.

The second is the ministerial/senior responsible owner relationship. Universal Credit is notable for having gone through a near six-year period of one secretary of state in Iain Duncan Smith working with six senior responsible owners – followed in the succeeding decade by one SRO in Neil Couling working with 10 secretaries of state.

It is clear that it was IDS's total commitment to Universal Credit that kept the programme going in its earlier days. He was, as one of his most senior civil servants observed, "a very dangerous minister" in the sense that "he had no ambition for himself because he had been Tory leader and that had ended in tears. This was the only thing he wanted to do. And he would have walked away, if he had not been allowed to do it."

All his successors stuck with Universal Credit, even if, in one case, there were distinct tensions with the programme's leadership over its implementation. But, particularly given the extent of political churn, the presence of Couling as its SRO for more than

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a decade does look crucial. It is a classic if extreme example of something that the Institute and others have repeatedly argued – that programmes are more likely to be successful if a good SRO stays the course.

In an interview for this paper John McGlynn says:


“A leading indicator of a programme going awry is senior staff turnover. You need an SRO who has got longevity and is hands-on – and that is true of all sorts of programmes from HS2 to 40 new hospitals to submarine procurement. Neil has that. But 10 years plus is a long time, and I will say this on Neil’s behalf, that he may well have given up the opportunity of being a permanent secretary in order to stick with Universal Credit. Whether that is still open to him, I don’t know.”

IDS, who worked with Couling for 18 months and values him highly, says:

“The civil service needs to treat programme managers as vital assets. Generally, the process in the civil service is that you go up to the top, become permanent secretary, and that is your great out. Wonderful. But if you are a programme manager you are worth more because, if a programme goes wrong, everything crashes. I think you should value them and be prepared if necessary to pay them even more than permanent secretaries because they are for more valuable than anybody you can imagine.”<sup>6</sup>

At the IfG event in May 2025<sup>7</sup> the point was made that if Duncan Smith was pretty much unshiftable because he would have walked if not allowed to do Universal Credit (indeed in July 2012 he refused a move to justice secretary), then Couling, as the sixth SRO in five years, along with his most senior lieutenants, were close to unfireable once they had demonstrated progress was possible. When changes to the timetable were needed, ministers pretty much had to listen. Would other SROs on other projects ever have quite that much power? Did things have to go badly wrong before that happened? Couling’s response was that the circumstances meant that:

“I did have a licence to operate. But I say to civil servants, you have got more power than you think you have. So, if you know the right way of doing this, do it the right way and take the criticism for that. I did say to one Secretary of State once that if I followed what she wanted to do, this programme would certainly fail, and I wasn’t prepared to do that. And she then had choices about me and about that.”<sup>8</sup>

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# Part 3: the impact of Universal Credit

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As the roll-out of Universal Credit is completed it is tempting to ask whether it been a success or failure. There is no simple answer to that simple question.

Universal Credit is clearly on one level a success. Roy Sainsbury, emeritus professor of social policy at York and an originator of the idea of a single working-age benefit, noted in an interview for this paper that it is quite clearly an achievement that this immensely complex exercise of turning six different in-work and out-of-work benefits into one has been completed at all. The challenge was clearly underestimated at the beginning. Completion is arriving the better part of nine years late. But completed it will be and there is no doubt that during the pandemic, Universal Credit truly proved its worth.

Other elements of its success – or otherwise – cannot yet be judged. Will it, once fully implemented, increase the take-up of benefit? Or will it, in time, prove to be 'dynamic' – not only moving more people into work but helping them earn more, so covering the extra costs of implementing Universal Credit?

For some, core elements of Universal Credit's design outweigh its other advantages – for example, its monthly assessment and payment period – to the point where they are never likely to judge it a success. Universal Credit's design involves value judgments over which reasonable people can disagree.

But, all that said, it does make sense at this stage to at least look at Universal Credit's progress on its stated aims, and examine its impact to date.

## How to assess Universal Credit?

This is not a straightforward task. And it is not helped by the fact that it can be difficult to untangle benefit decisions that clearly affect Universal Credit claimants but are not part of its design: the household benefit cap, the 'bedroom tax' and the two-child limit (removed from April 2026) all affect Universal Credit claimants, but are not intrinsic to its design.

Sanctions have been part of the benefit system for decades. How vigorously they are applied, however, is a political decision taken by the ministers of the day – and even over the life of Universal Credit that has varied markedly. Any assessment of Universal Credit for good or ill will depend on its generosity or otherwise at the time that it is being assessed, and that has changed over the years. For example, the value of both the housing allowance and of the work allowances have become less and then more generous, while the taper rate has reduced from 65% to 63% to 55%.

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So, with those qualifications in mind, what follows is a far from comprehensive attempt to assess the impact of Universal Credit to date.

### **The declared aims for Universal Credit in the white paper**

To begin it is worth restating what Universal Credit set out to achieve in the first place, as articulated in the 2010 white paper that announced it. The single, simpler, system with earnings automatically reported by employers through HMRC, would:

- Increase total support in the working-age benefit system
- Ensure that work always pays and is seen to pay, and that people 'generally' will keep more of their earnings
- End marginal tax rates of 96p in the pound as benefit is withdrawn and income tax and National Insurance is paid.

Those changes were all intended to strengthen work incentives. In addition, Universal Credit would:

- Reduce fraud, error and administration costs.

The white paper also posited that Universal Credit would increase take-up of benefits, and that, along with changes to entitlement (particularly for those in work) it "could", over time, "lift as many as 350,000 children and 500,000 working-age adults out of poverty".

### **Is Universal Credit now more generous than the benefits it replaced?**

The promise of an increase in the total support in Universal Credit has been honoured. In its original design, Universal Credit was going to cost more – be more generous overall – because it was designed to get rid of the very highest marginal tax rates and to make any amount of work, even a few hours of work a week, pay. It was also intended to increase take-up, although the effect of that cannot yet be measured.

But if it is now more generous, getting here has been a roller-coaster ride. Amid benefit freezes and other cuts, the Institute for Fiscal Studies calculated in 2016 that Universal Credit was going to cost some £2.7bn a year less than the benefits it was replacing.<sup>1</sup> The most recent IFS verdict is that it is costing some £2.5bn more.<sup>2</sup>

### **Who are the winners and losers?**

Without the expenditure of many, many billions of pounds, it was inevitable when six benefits were combined into one that there would be huge numbers of both winners and losers. IFS analysis in 2024 is that only around 20% of households have seen no change. Nearly half are gainers but nearly a third lose.

Both the gains and losses can be substantial. A quarter of households gain at least £2,000 a year and half of those gain more than £4,000. Conversely, just over a fifth are worse off by £2,000 a year and close to half of those by more than £4,000. These are big sums.

Couples with children are the most likely to gain under Universal Credit – more than 70% gain by at least £200 a year while only 22% lose at least £200. Lone parents do not do as well, but more of them gain than lose. Families with disabilities, mixed-age couples\* and the self-employed tend to be much worse off, the IFS calculates.\*\*<sup>3</sup> And, broadly speaking, those in social housing gain while owner-occupiers do less well. It should be noted that some gains and losses are notional – sums that a household would have received under the old system but will now not get under the new one.

**Only around 20% of households have seen no change. Nearly half are gainers but nearly a third lose.**

**– IFS estimate on the scale of upheaval from phasing out 'legacy' benefits, 2024**

Given the scale of potential losses – around 10% of claimants already on benefits could well lose £4,000 a year or more – those affected were promised transitional protection as 'managed migration' moved them to the new benefit. The rules are somewhat complex.<sup>4</sup> But in effect their benefit is frozen until either annual benefit increases or other changes increase their entitlement up to the sum that is protected. They lose transitional protection if they undergo a significant change of circumstance, such as moving home or acquiring or losing a partner or a child.

### **Does Universal Credit strengthen work incentives?**

Universal Credit does now have a single withdrawal rate, or taper, in place of the multiple and often interacting means tests, withdrawal rates and hours rules that complicated the legacy benefits. This means it is possible to make the case that it strengthens work incentives, although these need to be looked at in two ways: what happens when someone moves from unemployment and into a job; and, once in a job, how much do they keep of each extra pound earned?

The IFS calculates that under the old system a quarter of those moving into work faced an effective tax rate of 70% as benefit was withdrawn and tax, including National Insurance, was paid. Under Universal Credit almost no one faces a rate that high. For lone parents, 95% now have an effective tax rate of less than 60% when taking a job, a much higher proportion than under the legacy benefits.<sup>5</sup> So Universal Credit has strengthened the incentive to take a job, by reducing, often quite substantially, what is known as the participation tax rate (PTR).

\* Couples where one has reached state pension age and one has not.

\*\* It should, of course, be noted that this analysis is based on modelling, not tracking what has happened to each individual household.

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The picture is more mixed, however, when it comes to the question of how much people lose of each extra pound earned once in work – what is known as the marginal effective tax rate (METR). The single post-tax taper of 55% means that the days of some households losing 96p in the pound have gone. The share of workers who lose at least 70p out of every additional pound is now 9% – compared with 26% under the legacy system. For lone parents, more than a quarter lost at least 80p in the pound: under Universal Credit almost no one does. But while the very highest marginal effective rates have gone, there has been an increase in the proportion losing between 20% and 40% of their extra earnings.

The net result – for extra pounds earned – is that while the very highest marginal tax rates have indeed gone, and gone at some scale, the average rate has barely changed. The result of all this, on the IFS’s analysis, is that while incentives to take a job in the first place are clearly higher, Universal Credit does little to change the incentive to work full-time. In addition, there are significant bits of support outside Universal Credit itself that depend on receipt of UC – for example, free school meals, free prescriptions and the warm home discount. Earn just enough to stop receiving Universal Credit and that support disappears. Tackling these ‘cliff edges’ in support is not, however, easy.<sup>6</sup>

Of course, the rates of benefit paid within Universal Credit are not set in stone. Amid concerns about the rapidly rising bill for disability and health benefits the government is proposing to ‘rebalance’ payments within Universal Credit. From April 2026, the standard allowance is being raised by a total of 4.8% above inflation over the years to 2029–30 – but new claims for the ‘health’ element (the addition that covers ‘limited capability for work and work-related activity’) are to have the amount paid roughly halved to around £217 a month. It will then be frozen until 2029–30. The aim, the government says, is to “remove” – in practice to reduce – “the incentive for people to declare themselves unable to work in order to improve their incomes”.<sup>7</sup>

## **Has Universal Credit reduced fraud and error?**

At the time Universal Credit was announced, the National Audit Office had qualified DWP’s account for more than 20 years running, largely due to fraud and error. Universal Credit was intended to reduce that. It is not clear that it has: in 2025 the accounts were qualified for the 37th year in a row for essentially the same reasons.

Overall error (whether on the part of the government or the claimant) is likely to have fallen appreciably given that tax credits, with their potentially huge over- and under-payments, are now closed. But fraud has proved much more of a challenge. The online nature of Universal Credit brings many advantages but has also created risks. And while some 90% of fraud by value is estimated to be due to individual claims (people hiding financial assets, for example, or self-employed income not being declared) hackers and organised crime are increasingly attacking the system.<sup>8</sup> The availability of advances is likely to have increased the risk, and in 2024 five members of a Bulgarian gang were jailed for more than 25 years between them after netting more than £53m by making thousands of false claims.<sup>9</sup>

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Fraud rose during the pandemic as security controls were deliberately eased to get money out to people as quickly as possible. But, while these have been reinstated, the level of over-payment – of which some 75% is estimated to be due to fraud – has yet to fall back to pre-pandemic levels.

It is declining. The estimated over-payment rate (which embraces both fraud and error) fell from 12.4% in 2023–24 to 9.7% in 2024–25.<sup>10</sup> The 2010 white paper estimated that £5.2bn was wrongly being paid out due to fraud and error: the figure for 2024–25, albeit not directly comparable, was £6.35bn. The proportion lost is likely to come down thanks to DWP spending more than £6bn over the nine years to 2028–29 on fraud prevention, including using machine learning (AI) to identify potentially fraudulent claims.

In addition, the government has recently taken extensive powers that will compel banks and other financial institutions to provide information for identity checks. That will also allow DWP to establish if claimants have more savings than they have declared, and in addition the department will be able to require banks to make debt repayment deductions from an individual's account, regardless of how the debt has been accrued.<sup>11</sup> As a result of these measures the Office for Budget Responsibility's most recent forecast is that the over-payment rate will fall to 7.5% by the end of the parliament, which would be below the pre-pandemic rate of 8.7%.

### **Has Universal Credit reduced administration costs?**

Inflation and the delays to completing the programme mean that Universal Credit is costing more to implement than originally envisaged, according to the National Audit Office's latest assessment in February 2024. But it is reducing administration costs significantly. The NAO says that figures from DWP (that the NAO does not challenge) suggest that the cost of administering Universal Credit in 2022–23 was £349m less than the equivalent cost for the legacy benefits, and that once Universal Credit is fully rolled out in 2026–27 the savings are forecast to be more than £580m annually – a big number that is "significantly more than [DWP] set out to achieve".<sup>12</sup>

### **What effect has Universal Credit had on employment?**

Universal Credit has got rid of the very high marginal tax rates in the legacy system and overall it has strengthened work incentives while allowing people 'generally' to keep more of their earnings. What is less clear is whether, as a result, it has achieved its aim of increasing employment.

On one level that is hardly surprising. In the 15 years since that goal was set there has been austerity, Brexit, a pandemic and an inflation shock, all of which will have affected the labour market to a far larger degree than Universal Credit was ever likely to. Furthermore, so many assumptions would be needed to run a model of the labour market that includes Universal Credit alongside one that does not, that it is unlikely that the results would be seen as credible.

At the time of the white paper, much was made of the possibility that the 'mini-jobs' of a few hours a week that Universal Credit made more possible would lead to bigger jobs. There does not appear to be much, if any, evidence that has happened. Equally,

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there is limited evidence that the scrapping of the so-called 'hours rules' has led to employers offering fewer part-time jobs pegged to the 16-hour mark – the point where tax credits came into play for lone parents. But it is not yet clear whether those on Universal Credit are working more or fewer hours as a result.

More broadly, the NAO does say that DWP has some evidence that those on Universal Credit are more likely to move into work in the short term than those on the legacy benefits. That relies on studies the most recent of which involved people who were claiming in 2018.\* Most of these studies only involved single claimants without children, this group being 2 percentage points more likely to be in work at any point in the six months after their claim than those on the legacy benefits.<sup>13</sup> A further study that involved lone parents produced a more impressive 5% gain.

DWP judges the studies to show “a significant and sizeable employment impact”.<sup>14</sup> Since 2018 the work allowance has been increased by £1,500 and the taper rate has been cut from 65% to 55%, which might be expected to increase the employment effect.

### **What has been the impact of in-work conditionality?**

One of the biggest philosophical changes that came with Universal Credit was the arrival of in-work conditionality. The state now has an interest not just in whether someone on benefit is in work, but that they are earning more – indeed, that is one of Universal Credit’s core aims: not just to get more households into work but to get them earning more.

**400,000 claimants who are already in work are now potentially subject to these more intensive in-work job search requirements**

In-work conditionality does have the potential for the work coaches in Jobcentres to become a positive source of support to those who are already working part-time and wish to work and earn more, but there are obvious risks that the regime could become punitive – for example, calling people in for interviews that clash with their working hours or other responsibilities.

Initially, the threshold for requiring more intensive search for extra hours and earnings was set at nine hours a week for single people, though it was barely enforced in Universal Credit’s earliest days. More recently it has been strengthened in stages so that from May 2024 it applies to singles earning less than 18 hours a week at the national living wage and 29 hours for couples. Some 400,000 claimants who are already in work are now potentially subject to these more intensive in-work job search requirements, with the threat of sanctions if they do not do what is required of them to try to earn more.<sup>15</sup>

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\* Such studies were then possible because at the time Universal Credit and JSA were still running in parallel in different parts of the country. As Universal Credit has rolled out and JSA claims have ceased, studies of this type are no longer possible.

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This always looked likely to be one of Universal Credit's more controversial changes. Is, for example, DWP really going to take money away from a lone parent working 16 hours a week as a classroom assistant because the school cannot afford to pay for an extra two or three hours, and he or she cannot find extra hours elsewhere?

In-work conditionality is an under-researched area. DWP statistics do not currently distinguish between sanctions applied because of failure to comply with in-work conditions and those levied for other reasons – so quite what is happening is unclear. But even before the latest increase in the earnings threshold, and again in a 2025 report,<sup>16</sup> Citizens Advice was warning that:

**"Too many people are being set tasks that are inappropriate and growing numbers are coming to us for help with conditionality and the sanctions that go with it."<sup>17</sup>**

The impact of in-work conditionality is clearly an area to watch, as is how Universal Credit interacts with self-employment – a part of the world of work that the benefit system finds inherently difficult to handle given uneven earnings and the need to allow for expenses.

### **How has Universal Credit affected child poverty?**

The white paper said that "in the long run" – without defining "the long run" – it expected Universal Credit to move as many as 350,000 children out of poverty. In 2010–11 the number of children in relative poverty stood at around 3.4 million. In 2024 it was 900,000 higher at around 4.3 million.<sup>18</sup>

The extent of the impact of Universal Credit on this change is very hard to isolate. Universal Credit is far from the only factor that affects relative poverty – low pay, family size, housing costs, family stability and ill health are among the others that play a part, as do benefit restrictions not directly related to Universal Credit, such as the two-child limit. The government expects the abolition of the two-child limit from April 2026 and other measures, including the extension of free school meals, to lift some 550,000 children out of poverty by 2030.<sup>19</sup>

### **Is Universal Credit simpler for claimants?**

The single-benefit and digital nature of Universal Credit clearly make it simpler for both the department and the rest of government (HMRC, for example, no longer has to handle tax credits). But is it simpler for claimants?

Well, yes and no. A single claim is simpler than having to deal potentially with three different parts of government – DWP, local authorities and HMRC. For many, though not all, its online nature is easier. It plainly eases the transition in to and out of work and back in again. It no longer produces the huge over-payments that tax credits used to do. And the provision of real-time earnings from employers to Universal Credit reduces the reporting burden for claimants. These are big gains.

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But the enhanced 'claimant commitment' to look for work for up to 35 hours a week (which was initially introduced for JSA as the Universal Credit system was being built) obviously demands more of claimants. And Universal Credit can demand more in other ways – mainly in terms of budgeting skills.

Universal Credit was, very deliberately, designed to reflect the world of work – the aim being to accustomise those out of it to some of its demands. This is behind it being paid monthly in arrears. When designed, the proportion of employees paid monthly was around 75% and rising but since then, partly due to the rise of zero-hour contracts, the proportion paid monthly has barely shifted and Universal Credit claimants are likely disproportionately to be among the quarter of employees still paid weekly, fortnightly and four-weekly. For a large proportion of them earnings can be decidedly volatile,<sup>20</sup> so their Universal Credit award can change significantly month by month.

For the 10% or so of claimants who are paid four-weekly rather than monthly<sup>21</sup> there will be a month in the year when people are paid twice – which can produce a big cut to Universal Credit entitlement or even no entitlement at all for that month. Those affected can contact DWP for an adjustment and, over time, income from pay and from the benefit will usually balance to the correct figure. But for those affected, budgeting is clearly difficult, and more difficult in the short term than when a tax credit award was paid at the same rate for a year – although Universal Credit does not carry the very real risk of a huge tax credit over-payment at the year end.

Universal Credit is also more demanding for some of those who receive social housing support because – again to reflect the world of work – it is normally paid to tenants, not landlords.

For those needing childcare, the system is far more generous than it used to be. Up to 85% of childcare costs can be paid (up to a cap). Providers, however, often demand payment up front, which can be a real challenge for those just moving into work. Help is available for those so doing, but its existence appears to be "a well-kept secret" in the words of a recent Resolution Foundation report.<sup>22</sup> The government acknowledges that it is "a difficult process to navigate" and is promising action to ensure that those entitled to up-front help do in fact get it.<sup>23</sup>

Budgeting issues have also arisen because, in the old system, receipt of Jobseeker's Allowance (JSA) or Income Support acted as 'passported' benefits: receipt of either automatically entitled recipients to free school meals, free prescriptions, free dental care and some other benefits. The fact that they did, however, was not a matter for DWP. It was other departments\* – chiefly Health and Education – that simply hung the free entitlement off these benefits.

The Working Tax Credit did not qualify claimants for these free provisions, so when Universal Credit arrived, embracing in-work as well as out-of-work benefits, it became up to other departments to decide how claimants were to qualify. As a result, for most

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\* Scotland and Wales provide free prescriptions for all and have their own rules around free school meals. London, at the time of writing in early 2026, provided free school meals for all primary age children.

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of its life, the means-test for Universal Credit for free school meals in England became a household post-tax income of less than £7,400 a year – something claimants had to work out for themselves. Free prescriptions and dental care depend on take home pay in the most recent assessment period – which can see people move in and out of entitlement month by month.<sup>24</sup>

All these factors have made budgeting more difficult for some – although from September 2026 Universal Credit will become a passport entitlement to free school meals, at an initial cost of £250m a year but an eventual one of around £1bn.<sup>25</sup>

### **What proportion of claimants are repaying debt?**

The monthly assessment, plus an administrative week to make the first payment, leads to the infamous five-week wait for an initial claim, although DWP says that these days it receives few complaints about it.<sup>26</sup>

Advances (loans) to tide people over are now routinely available, paid back over a period of up to 24 months. Not everyone takes them, and DWP and benefit advisers hold different views over how far claimants are aware of them.<sup>27</sup>

Quite how many new claimants take an advance is – somewhat surprisingly – missing in current Universal Credit statistics, which merely show that 30% of claimants are repaying an advance of one sort or another.<sup>28</sup> But these advances include 'budgeting loans': repayments of loans for tools, or white goods such as washing machines, or other expenses, as previously covered by the Social Fund.<sup>29</sup>

These, however, are not the only deductions. Many former recipients of tax credits are still repaying tax credit debt, even if the overall amount due is now falling away given that tax credit claims have closed. Only 20% of tax credit claimants transferred debt free. The other 80% or so had a debt averaging a remarkable £1,200 or so at the point of transfer.<sup>30</sup> In addition, debts to third parties such as landlords and utilities such as energy and water companies can also be reclaimed.

The maximum percentage of Universal Credit that can be deducted each month has fallen over the years. Various 'last resort' deductions aside, it now stands at 15%, down from a high of 40%. Here one hits yet another of the many trade-offs in social security policy. A high deduction rate will clear debts quickly but can cause immense hardship. A lower one can be more manageable, but means that the debt will take longer to pay off and increases the chance that the government will not get all its money back. A claimant may, for example, move off Universal Credit, although the government has recently taken powers that will allow it still to pursue such debts.

The current lower deduction rate, and the three types of deduction outlined, mean that, combined, 45% of claimants had some form of deduction in August 2025.<sup>31</sup> Furthermore, in the past, DWP did not in general recover benefit over-payments caused by official error. Under Universal Credit, it does – another reflection of the world of work where an employer would seek to reclaim over-paid salary.

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## What has been the impact of the managed migration to date?

The point of Universal Credit was not just to get new claimants on to it but to close down the legacy benefits. It might reasonably be assumed that this would prove the most difficult and controversial part of the programme – a process in which there were gainers among the millions already on the legacy benefits, but also substantial numbers of losers among those receiving letters telling them that their existing benefit was closing and they needed to apply for Universal Credit.

The losers were to be – and are – offered transitional protection. But that had to be calculated properly. And among those being transferred were people who, by definition, are among the most vulnerable: for example, those in the 'support' group of the Employment and Support Allowance (ESA) who have no work-related conditions attached to their benefit and who, apart from receiving it, are likely in some cases to have had little or no contact from DWP for years.

So it feels something of a paradox, given the huge problems encountered in the earliest days of Universal Credit when the task was merely to get new claimants on to it, that managed migration appears to have gone far better than might have been expected. It may yet be that as the final cases of ESA go over, truly awful problems will emerge. But judging by the media coverage to date, by the very few formal complaints that DWP appears to be receiving, and by the absence of any parliamentary storm, managed migration has gone well.

That is not to say that the exercise has been problem free. The Child Poverty Action Group in August 2025 published *Hard Landing*, which provided a series of ongoing case studies on serious issues faced by claimants going through managed migration.<sup>32</sup> Citizens Advice likewise highlighted the difficulties its clients were facing.<sup>33</sup> DWP's own qualitative research shows that receipt of a migration notice could generate much anxiety and in some cases distress – not least because many claimants still had a very negative view of Universal Credit. Some individuals really did struggle with the transfer.<sup>34</sup>

Those advising claimants – and those who were involved in DWP's stakeholder forum – say there were plenty of problems that needed sorting out along the way: differing interpretations of quite how transitional protection should be calculated, for example.<sup>35</sup> But the fact that the migration of millions of individuals to Universal Credit went relatively smoothly must be down to the work of the scores of individuals and organisations that took part in the stakeholder forum that DWP created – highlighting issues with the transition when they were a problem but before they became a disastrously baked-in one – and the response of DWP to that.

There is one aspect of the managed migration that is hard to explain. Around a quarter of tax credit claimants did not transfer to Universal Credit. Their claim simply ceased. There are factors that explain some of that.<sup>36</sup> Tax credits had no asset test but savings of £16,000 or more debar a Universal Credit claim, so some will have fallen foul of that. Others' circumstances will otherwise have changed in ways that prevent a claim. DWP research among the 650,000 who were claiming only tax credits (and not housing

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or other benefits) found many factors affected the decision to transfer or not. The biggest single predictor of why people did not migrate was how large was their tax credit award. Those with smaller payments were less likely to claim, with the hassle of claiming and not wanting to go into Jobcentres being other factors.<sup>37</sup>

But, despite that research, neither the DWP nor advice organisations have a wholly convincing explanation for quite why so many tax credit recipients did not transfer to Universal Credit. One of the larger advisory organisations that helps claimants said: “If there been a large group of people feeling they were being unfairly dispossessed of benefits we would have expected thousands of phone calls. But that simply didn’t happen.”

### **Pressures for change?**

One thing that can be said with certainty is that completion of the roll-out does not mean that Universal Credit is frozen for all time. In the face of criticism, significant changes have already been made down the years – for example, advances became more easily available and run-ons from the legacy system were introduced. The deduction rate for advances came down, as did the taper rate.

The Labour government has a somewhat low-key review of Universal Credit under way, the first fruits of which have seen the two-child limit scrapped, free school meals being extended to all Universal Credit claimants, and the deduction rate for debt being reduced again.

There are all sorts of other issues that critics would like to see addressed. These range from bringing council tax into Universal Credit; tackling some of the cliff-edges to income that remain; and adopting in England some of the Scottish differences to Universal Credit that have emerged. For example, after the first five-week wait, Scots can opt for twice-monthly rather than monthly payments and the housing support element can more routinely be paid direct to both private and social rented landlords. In England, both these measures are available under what are dubbed the alternative payment arrangements (APA).<sup>38</sup> But their application is very much at the discretion of DWP rather than being routine.

Critics who dislike the household nature of Universal Credit with its payment of all of the benefit into one bank account – and who like the way the Child Tax Credit could be paid to the main carer in a partnership (often a woman) – want it to be easier to split the payment between partners. That is possible under APA, but only where there is financial abuse or domestic violence. Some would like Universal Credit to provide more support to second earners because children in families with two earners are less likely to be in poverty. The Resolution Foundation recently came up with a string of suggestions for change, including improving the way childcare costs are covered.<sup>39</sup>

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Labour's review is ongoing and it is clear that it encompasses the five-week wait. Stephen Timms, the minister for social security who is conducting it, remains struck by an observation by the late Frank Field, his predecessor when they were in opposition as chair of the Commons Work and Pensions Committee. Namely, as Field put it, that:

**"In 1948 people seeking unemployment benefit had to go into an office and fill in a form with a Biro, before it was transferred by van to a disused army base outside Blackpool, where it was processed by hand, with the first payment made within 10 days – and all without a computer in sight. How is this right?"<sup>40</sup>**

And that of course is true. But unemployment benefit did not embrace in-work benefits to offset low pay, with such benefits inevitably having to be assessed and paid over a longer period.

Other issues plainly under consideration are what might be done to ease the challenges for those paid other than monthly and how Universal Credit might be made to work better for the self-employed. There is no guarantee that the review will solve any or all of those. Nonetheless, further changes at some point look pretty much inevitable, even if the single benefit nature of Universal Credit and its standard monthly assessment look fixed.

A green, rounded rectangular sign is mounted on a wall. The sign features the text 'job centre plus' in a sans-serif font. 'job' and 'plus' are in white, while 'centre' is in yellow. The sign is attached to a grey metal bracket. The background consists of a brick wall above and a light-colored textured wall below, with a shadow cast to the right.

job  
centre  
plus

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# Conclusion

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Fifteen years on from the white paper that announced it, Universal Credit divides opinion. There are respected academics and commentators for whom the price of trying to achieve its aims is “too high”.<sup>1</sup> Against that there are plenty of others who believe the advantages of a single system are real, both for DWP and for many claimants – even if some of them share some of the criticisms that others make of its actual operation.

In 2025, DWP’s long-standing survey puts satisfaction with Universal Credit at 87%.<sup>2</sup> Give or take a percentage point or two either way (and satisfaction does vary over time) that is broadly in line with satisfaction for the legacy benefits over the years. Not better but not worse. It could be read as evidence that Universal Credit works well for many, but remains a struggle for a significant few.

It is notable that Universal Credit started out with cross-party support, fell out of favour with Labour before the 2019 election, and now has, at a minimum, cross-party acceptance (the partial exception being the Greens, whose long-term ambition is to roll it into a Universal Basic Income).<sup>3</sup> Over time, under governments of different colours and amid changing economic circumstances, Universal Credit is likely to be made more or less generous. But its core design – that of a single benefit based around a monthly income assessment – is here to stay.

One final reflection on its implementation. It did start out as a disaster and its roll-out is finally being completed the better part of nine years late. Completely extraneous events contributed to that – not least Brexit and Covid – which for a time halted all development work. The view of John McGlynn, the last chair of the programme board, is that if the 2013 ‘reset’ is taken as the proper start of the project, then, given those impacts, 12 years to do a project of this immense scale “is kind of reasonable”.

There are clearly lessons to be learnt from Universal Credit’s journey from white paper to completion. What should be clear is that any future government that wants to embark on a journey of similar scale within the benefit system – for example, introducing a Universal Basic Income – needs to think really hard before setting off.

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## Further reading

- 1 House of Commons Library, 'Universal Credit: A reading list', Research briefing, May 2021, <https://commonslibrary.parliament.uk/research-briefings/cbp-9211/>
- 2 'From disaster to completion: What can government learn from the Universal Credit story?', event, Institute for Government, 6 May 2025, [www.instituteforgovernment.org.uk/event/government-learn-universal-credit](http://www.instituteforgovernment.org.uk/event/government-learn-universal-credit)
- 3 Couling N, 'Short history of Universal Credit', DWP deposited papers, Parliament.uk, 2025, [https://data.parliament.uk/DepositedPapers/Files/DEP2025-0261/202503\\_H\\_UCPB\\_31.03.25\\_Paper\\_3\\_Annex\\_B\\_Short\\_History\\_UC\\_Prog\\_6th\\_SRO.pdf](https://data.parliament.uk/DepositedPapers/Files/DEP2025-0261/202503_H_UCPB_31.03.25_Paper_3_Annex_B_Short_History_UC_Prog_6th_SRO.pdf)
- 4 DWP, 'Universal Credit Programme: Final Lessons Learned', Slide pack, Parliament.uk, March 2025, [https://data.parliament.uk/DepositedPapers/Files/DEP2025-0261/202503\\_G\\_UCPB\\_31.03.25\\_Paper\\_3\\_Annex\\_A\\_UC\\_Prog\\_Lessons\\_Learned.pdf](https://data.parliament.uk/DepositedPapers/Files/DEP2025-0261/202503_G_UCPB_31.03.25_Paper_3_Annex_A_UC_Prog_Lessons_Learned.pdf)

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# About the author

## Nicholas Timmins

Nicholas is a senior fellow at the Institute for Government and the King's Fund. Between 1996 and 2011, he was public policy editor of the *Financial Times*. Nicholas is an honorary fellow of the Royal College of Physicians and a former visiting professor at the LSE and King's College London. He is the author of *The Five Giants: A Biography of the Welfare State* (William Collins, 2017).

## Further reading

For those who want to dig deeper into Universal Credit's story there is a wealth of material available. Aside from the National Audit Office's four major reports, plus some more minor ones, the House of Commons Library has produced not just its own reports but a pretty comprehensive reading list from Universal Credit's earliest days up to 2021.<sup>1</sup> David Freud's *Clashing Agendas* provides his insider's account of the creation of Universal Credit. Neil Couling at the IfG's May 2025 event explained how the culture of the programme was created – an account best listened to rather than read about<sup>2</sup> – and has produced his own short history of Universal Credit.<sup>3</sup> DWP has published its own 'lessons learned'<sup>4</sup> and in addition, though in places redacted, and far from easily accessed, DWP has made public all the Universal Credit programme board papers. These are best found by a Google search for 'parliamentary deposited papers for Universal Credit'.

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