

November 2016

Dear Constituent

Thank you for contacting me about changes to Universal Credit and their impact on working families and incentives to work.

Universal Credit is a major reform to our welfare system which is restoring the value of work, making sure it always pays to work, and crucially, that it pays to work more. Over 800,000 people have now made a claim to Universal Credit, with an average of more than 12,500 new claims being made every week.

Simplifying the benefits system by merging the main working-age benefits into a single payment, with a single taper rate, means claimants can be confident that they will always be better off when they move into work or increase their hours or earnings. Evidence is already showing that people move into work faster under Universal Credit; for every 100 people who find work under Jobseeker's Allowance, 113 Universal Credit claimants move into a job.

In the recent Autumn Statement, the Chancellor announced that the Government would provide additional support for people to progress in work by reducing the taper rate in Universal Credit from April 2017. I welcome the Government's decision to make this change, which will mean people will keep more of what they earn and will be better rewarded for increasing their hours or pay.

While changes have been necessary to reform the system of 'work allowances' in Universal Credit, it is important to see this as part of a wider package of measures which together are designed to move us towards a lower welfare, lower tax, higher wage economy. The introduction of the National Living Wage is delivering a pay rise for millions of low paid workers, and people are keeping more of what they earn due to increases in their income tax personal allowance. The lowest paid workers saw their pay go up by the most last year, by over 6 per cent, well above inflation. Working parents are also benefitting from increased support with childcare costs.

Around half of all spending on welfare and public services is still going to the poorest 40 per cent of households, similar to the distribution in 2010. The best-off fifth of households will also be paying a greater proportion of taxes at the end of this Parliament than in 2010. I welcome the fact that transitional protections are in place for people who are migrated over to Universal Credit from an existing claim, so that people will not see a cash fall in their benefit entitlement. This transitional protection is not reduced when claimants increase their earnings, to ensure work incentives are maintained.

Yours sincerely



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