

In November, Work and Pensions Secretary Iain Duncan set out details of his plan to scrap most out-of-work benefits and replace them with a Universal Credit.

KEY POINTS:

- will eventually replace many benefits such as working tax credit, child tax credit, housing benefit, income support, jobseekers' allowance
- Low paid workers to keep more of what they earn – aim is to end the poverty trap whereby someone starts a low paid job but ends up being worse off because they lose more in benefits than they earn
- Benefits cut for three months if claimant refuses job offers
- People can move in and out of work without losing benefits
- £2.1bn savings up costs
- Meant to save money in the long run through reducing fraud and error – they hope eventually to save £7bn a year.

HOW IT WILL WORK

Claimants will receive a basic personal amount with additional sums for disability, caring costs, housing costs and children, with single people and couples getting different rates and, as now, the under 25s receiving less. Unlike now, people will not have to claim separately for different benefits. The amount claimants receive will also be calculated closer to 'real time', with adjustments potentially made monthly rather than annually.

MAKING WORK PAY

As earnings rise, Universal Credit will be withdrawn from a claimant at a rate of around 65p for every £1 of wages earned – this way it makes it easier to work, rather than stay on benefits as is the case with the poverty trap.

HOW CLAIMS WILL BE MADE

Claims will be made online and dealt with by an automatic system - cheaper for the government to administer and will leave staff to focus on cases where there is a risk of fraud or error. Claimants will be expected to manage their claims as they would an online business. There will be support for the "minority" unable to use the online system. (Critics point to major IT disasters with government projects in recent years and say, can we really be confident of getting such an important system to work properly).

REFUSING TO TAKE WORK

Failure to accept a reasonable job offer, failure to apply for a job or failure to attend Mandatory Work Activity will result in Jobseekers Allowance being stopped for at least three months. (Remember this will remain in place until the new system is operational and does away with Jobseekers Allowance.) Critics claim there will be too few jobs in a recession in any case.

BENEFIT CHEATS

Those convicted of fraud will face a sentence imposed by the courts. They will also lose their benefits for three months for a first conviction and six months for a second. For the most serious and organised cases, benefit could be stopped for three years.

WHEN?

For new claimants by 2013, with aim of all recipients on new system by 2020.