ALL PARTY PARLIAMENTARY
GROUP ON POVERTY

appg

The impact on poverty of not maintaining the £20 uplift in universal credit and working tax credits, and of not extending the uplift to legacy and related benefits

January 2021

Contents

Introduction

The All-Party Parliamentary Group (APPG) on Poverty aims to increase understanding of poverty among parliamentarians and to seek all-party solutions. On 20th March 2020, the Chancellor introduced temporary measures to protect the incomes of UK households in the face of the Covid-19 pandemic, including increasing the rates of universal credit (UC) and working tax credits (WTC). Currently, this uplift is due to come to an end in April 2021, which would reduce the incomes of some of the poorest households by over £1,000 a year.

On 14th January 2021, the APPG held an evidence session to hear from policy experts alongside experts by experience on the impact of the £20 uplift to UC and WTC on poverty, as well as the impact of not extending this uplift to legacy and related benefits. This report has been written using information gathered from submissions to the APPG's call for evidence, which received 26 submissions from a wide variety of organisations and individuals who are credited at the end of this report. The APPG extends its thanks to all who took the time to submit evidence and, as a result, help contribute to the final version of this report.

The £20 uplift

It is evident from the findings of many organisations that the £20 uplift in UC and WTC has had a positive impact on the incomes of the poorest households in the UK. Modelling carried out by Policy in Practice suggests that if the uplift was withdrawn, 683,000 households, including 824,000 children, would no longer be able to afford to meet their essential needs, with this number growing by 11% when the impact of the two child limit is taken into account. The think tank expects the true figure to be higher as the modelling does not consider deductions from UC and other debts. Research by Save the Children indicates that parents who received the uplift predominantly spent the money on essentials such as food, rents and bills, and items for home schooling. Below are some extracts from people who have benefited from the uplift, submitted by various witnesses.

"I've got health problems at the minute with my left kidney. I am waiting for an operation but it's been cancelled twice due to COVID-19. And with the extra Universal Credit benefit I'm getting, it's a really big help. If it stops and it goes back to my normal Universal Credit payment, I'm going to be struggling again. I'm worried that I'm going to get myself back into debt again which I don't want to be doing." – Expert by experience and Christians Against Poverty client

"It did make a difference. That's how much me internet was so that was paid for with it, or it covers shopping. I was a little bit better off- not a massive difference but it was better for us." - Single mum to 18-month old son, unemployed due to childcare commitments at time of interview, Newcastle University interviewee.

"It is a great help, but barely enough to live on, let alone repay debts." - StepChange client

---

Legacy and related benefits

Because the uplift was only applied to UC and WTC, millions of people on legacy and related benefits have not seen any increases in their income. The APPG received multiple submissions calling for the extension of the uplift to legacy and related benefits. This was particularly pertinent as most people claiming legacy and related benefits are disabled, carers, or have a long-term illness - the majority of whom fall in the poorest 10% of the population. Witnesses explained that people on legacy and related benefits are more likely to have been unable to work for an extended period of time, and will thus be less likely to have savings to fall back on. The Disability Benefits Consortium (DBC) wrote that disabled people, despite not benefiting from the uplift, still face higher costs as a result of the pandemic due to increased food, fuel and phone costs; needing extra support from paid carers; and because they need to take taxis rather than public transport. Respondents from DBC's latest survey said that if the £20 was extended to legacy and related benefits, it would allow people to manage their health better and avoid having to choose between heating and medication. This is demonstrated further by Michelle, a single parent and expert by experience on legacy and related benefits, who gave her testimony at the APPG's evidence session.

"So what would £20 a week, […] which I calculate at £1,040 in total (over 10% of my income), mean to my household? It is hard to pick just one thing, there are numerous options. Food is usually one of the few bills parents have the ability to reduce in hard times, so to give more food security and reduce the reliance on cheap processed food would be a big benefit. Being able to keep the house warm would help my arthritis and the asthma suffered by my son and I so that it does not flare up in the damp. I could buy equipment for home schooling, or repair the kitchen tap […]"

Shirley Widdop, an expert by experience, shared similar sentiments and said the extra money would help with increased bills from needing to be at home as her disability worsens during the colder months. She added that the uplift would allow her to reach the minimum basket price for online supermarket delivery orders. Many disabled people are shielding and cannot do their shopping in person.

The government's current position is for people on legacy and related benefits to migrate to UC, but many submissions disagreed with this approach. Organisations stated that most people would only be better off as long as the uplift remains in place, and that they would also lose their entitlement to transitional protection if their new payments are lower. Christians Against Poverty (CAP) highlighted that for many people, the process of seeking advice to judge whether they would be better off transitioning to UC would create a substantial amount of stress. Z2K has evidence that suggests that the financial and emotional hardship caused by moving to UC can result in increased food bank usage and rent arrears. Organisations report that the government advice also fails to recognise the increased difficulty in accessing UC support due to limited availability and the health risks of accessing it in person. People who require face-to-face advice or do not have internet access would have difficulty accessing this support.

The following sections of the report explore a number of issues around the £20 uplift that must be considered when deciding whether the uplift should be maintained and extended.

Inadequate benefit levels

The Covid-19 pandemic arrived after a steady period of low wage growth, benefit cuts (including the 4-year freeze), rising living costs and an increase in low-paid and insecure work, which pushed people already struggling financially into further hardship. People on a low income entered the pandemic with low levels of financial resilience which have worsened during the crisis as household reserves are depleted. Organisations frequently mentioned that there has been no dedicated financial support for low-income families with children, beyond the free school meals (FSM) vouchers and technology schemes, both of which have only reached a minority of the children in need. The Family Fund reported that 65% of the families they support had no savings at all in April 2020, and by the end of last year this figure had risen to 72%. Other organisations have reported similar findings, with a survey by Barnardo's showing that in April, 46% of their frontline workers were supporting people in or at risk of poverty, rising to 60% in June and then 67% in October.

The Joseph Rowntree Foundation (JRF) explained that people who lose their jobs during the pandemic will still experience a very significant drop in their income, even if they were paid the minimum wage. Prior to the pandemic, Citizens Advice reported that many of their clients' UC entitlement fell below what they needed to live on, even before deductions to repay advance payments. Now, 40% of people helped by Citizens Advice with debts across England and Wales have had a negative budget - meaning their income doesn't cover basic living costs. Citizens Advice and others warn that not maintaining the uplift would push those just about managing into debt.

Disproportionate impact

The Welfare at a (Social) Distance (WSD) project illustrates that certain groups will be disproportionately impacted by removing the uplift. The team reports that 20% of people affected are from a BAME background, which would reverse the progress made in tackling systematic over-representation of BAME households in poverty over the last decade. Other groups will also be disproportionately impacted as half of affected households have a member who is disabled, and 60% of all single parents will experience the cut.

Other policies

Several witnesses wrote in their submissions that the positive impact of the uplift has been hindered by pre-existing policies. For example, Croydon Council, and academics from the Universities of Bath and Oxford, underline that many people have not noticed the £20 uplift because of deductions to repay the UC advance payment.

Likewise, multiple organisations report people not feeling the value of the uplift because of the application of the benefit cap to their entitlement. Only 77% of CAP clients in receipt of UC or WTC saw an actual increase in their incomes after the uplift. The number of households affected by the benefit cap nearly doubled from 80,000 in February 2020 to 170,000 in August 2020. Dr Rita Griffiths and colleagues highlight two groups most impacted by the benefit cap: parents with high rental costs and larger families with 3 or more children. Both groups are among the poorest in society. At time of writing - January 2021 - the benefit cap's nine-month grace period is due to come to an end for the thousands of people who first applied for UC at the start of the Covid-19 outbreak in March 2020. With unemployment expected to rise, it is highly unlikely that the UK economy will return to normal in the next few months, further underlining the urgent need to review the benefit cap policy.

Other organisations cited additional policies that, if combined with the removal of the uplift, would have a detrimental impact on low-income households. Policy in Practice recommends pausing the reinstatement of the Minimum Income Floor (MIF). The think tank carried out some modelling looking at the impact of removing the uplift along with reinstating the MIF, and it showed that these policy decisions would lead to almost half of low-income self-employed households unable to meet their essential costs. In relation to older people, Parkinson's UK is calling for the abolition of the mixed-age couple rule in UC, which would allow couples to claim pension credit even when one person is under retirement age.

Long-term impact

The uplift is predicted to cost £6 billion a year, but the costs of poverty will surpass that figure according to witnesses. Action for Children states that poverty decreases children's ability to cope with physical and mental illnesses, as well as restricting their academic attainment - both of which would incur economic costs to the taxpayer either through the NHS or social security system. Action for Children explains that poverty undermines the physical and mental wellbeing of parents, which affects the quality of the parent-child relationship and will inevitably have a knock-on effect on the child's future.

Furthermore, the British Association of Social Workers (BASW) highlights that a high proportion of families who are subject to child protection processes are on UC, suggesting that low income is a driver of children being investigated as part of child protection concerns. BASW identifies a correlation between the rising number of children being looked after and the beginning of austerity measures. Here there is an evident economic argument: minimising the number of families who need statutory intervention would reduce costs from investigating and monitoring child protection cases.

In terms of looking long-term at the UK's economic recovery, JRF maintains that there is a strong economic argument for keeping the £20 uplift. Investment in social security boosts consumer spending more effectively than other policies, such as those that target people at the mid- to higher- end of the income distribution (e.g. tax cuts). A stimulus targeted at people in the lower half of the wealth distribution, or the unemployed, is two to three times more effective at increasing spending in the economy than the same stimulus focused on the entire population. This is because people on a low income spend a higher proportion of their budgets on essentials.

Recommendations

1. Maintain the £20 uplift

- All submissions supported maintaining the £20 uplift in UC and WTC. Joint polling undertaken by Save the Children and JRF revealed that 75% of those aware of the uplift said it had helped ease the financial pressure, although this is dwarfed by the greater drop in incomes or rising living costs for at least 7 in 10 families. Academics working on the WSD project propose the uprating should not be viewed as an uplift but rather a partial reversal in cuts experienced by low-income households since 2010.

- The APPG did not ask for evidence on the option of replacing the £20 uplift with a lump-sum payment as this approach had not been proposed at the time of the evidence session. However, the APPG would argue for the permanent uplift in universal credit over a one-off payment to provide continued financial stability to households who need it most.

- Clearly, any permanent increase to social security has to be considered in the overall context of the nation's finances and an honest conversation needs to be had with the taxpayer about how this extra £6 billion per annum will be funded. According to the ONS[i], in 2015 the UK was ninth out of 28 countries when ranked in terms of the size of its social protection expenditure as a proportion of its gross domestic product (GDP), spending proportionately less than France but more than Germany. The UK spent the lowest proportion on unemployment, representing just 1.4% of the total social protection expenditure. Witnesses were not asked to suggest how the uplift should be paid for, however, the APPG encourages the Treasury to bring forward longer-term proposals on fiscal policy to pay for this measure.

2. Extend the £20 uplift to legacy and related benefits

- Again, all submissions argued for the extension of the £20 uplift to legacy and other benefits on the basis that people in receipt of these benefits are some of the most vulnerable members of society, and need to be supported during the crisis. In order to avoid a two-tier social security system, the government should extend the uprating. Moreover, rates of social security were already low even with the uplift in place, meaning the rates of legacy and other benefits are in great need of increasing. This is consistent with general concern over the inadequacy of benefit levels from organisations like Action for Children who recommend establishing an independent body to provide advice on social security rates.

3. Suspend the benefit cap

- Several witnesses stressed that the benefit cap is preventing thousands of households from experiencing the uplift. Suspending the benefit cap for the duration of the pandemic would enable all low-income households to benefit from the uplift. Given the current economic forecast of high unemployment, it is likely that people will be unemployed for a longer period of time than before pandemic due to the lack of available jobs. The APPG thus agrees with witnesses that the benefit cap should be at least temporarily suspended or raised in the context of the pandemic.

Contributors

Action for Children

Alison Jane, Newcastle University

Barnardo's

British Association of Social Workers

Christians Against Poverty

Citizens Advice Craven and Harrogate

Citizens Advice Sedgemoor

Citizens Advice Sutton

Croydon Council

Disability Benefits Consortium

Dr Malcolm Torry

Dr Rita Griffiths, Professor Jane Millar, Fran Bennett and Marsha Wood, University of Bath and University of Oxford

Family Fund

Joseph Rowntree Foundation

Michelle

National Diaper Network

North East Child Poverty Commission

Parkinson's UK

Policy in Practice

Professor Tracy Shildrick and Professor Janice McLaughlin, Newcastle University

Save the Children

Shirley Widdop

StepChange

UK Women's Budget Group

Wayne Green

Welfare at a (Social) Distance Project Team

Z2K

The All-Party Parliamentary Group on Poverty

The APPG's aim is to increase understanding of poverty among parliamentarians and to seek all-party solutions, while drawing on a range of outside people and knowledge.

Officers:

- Kevin Hollinrake MP - Co-Chair
- Neil Gray MP - Co-Chair
- Baroness Ruth Lister - Vice-Chair
- Afzal Khan MP - Vice-Chair
- Lyn Brown MP - Vice-Chair
- Lord Bird - Vice-Chair
- Tony Lloyd MP - Vice-Chair
- Baroness Christine Blower - Member

Contact us:

Child Poverty Action Group and the Equality Trust act jointly as an independent secretariat to the APPG. Support for this inquiry has been part-funded by the Barrow Cadbury Trust, an independent, charitable foundation committed to bringing about socially just change.

info@appgpoverty.org.uk
www.appgpoverty.org.uk

@APPGPoverty

---

[i] ONS, 2018 https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/socialprotectioneuropeancomparisonsofexpenditure/2015