



ALL PARTY PARLIAMENTARY  
GROUP ON POVERTY

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**UPDATE: 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**

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Approved by Members of the APPG, this report was written by the Child Poverty Action Group, who jointly acts as an independent secretariat to the APPG on Poverty alongside the Equality Trust.

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## Introduction

At the beginning of the year, the All-Party Parliamentary Group (APPG) on Poverty published a report on the impact on poverty of not maintaining the £20 increase to universal credit (UC) and working tax credits (WTC), and of not extending this to legacy and other benefits. This drew on evidence from individuals and civil society organisations. Nine months since the APPG's first report on the issue, the £20 increase is coming to the end of its six-month extension, which was granted in April 2021. The APPG recommended in January that the government should keep the £20 increase and extend it to legacy and related benefits, and this remains our recommendation. The APPG has conducted further desk-based research to produce this update, based on recent literature from the public and third sector. The update will explore the impact of the cut on living standards and how it will be felt by different groups in society. It will then examine public opinion on social security.

## Impact on poverty and general living standards

Across the third sector, multiple organisations have warned about the impact the £20 cut will have on poverty and living standards. The Joseph Rowntree Foundation (JRF) estimates that removing the £20 increase from UC and WTC would pull 500,000 people into relative poverty, including 200,000 children (JRF, 2021). The Trussell Trust (2021a) report that 1 in 5 people on UC think they are very likely to need to use a food bank if the £20 is removed, 41% fear they will need to cut back on food for themselves, and 13% will need to cut back on food for their children. They have also reported that 45% of UC claimants say they are already struggling to manage financially, which illustrates the inadequacy of current benefit levels (2021a). If the government decides to go ahead with the £20 cut, it will bring the basic level of social security for unemployed people to its lowest in real terms since the early 1990s, and the lowest level ever in relation to average earnings (Hansard HC Deb., 15 September 2021).

The purpose of social security is to provide a safety net for people when they need support, and cutting £20 from some of the poorest people in society is counter-productive to not only the economy's recovery but an individual household's too. The Trussell Trust (2021a) reports that without the extra £20, 19% of households are very likely to fall into rent arrears, and 27% won't be able to keep up with other payments such as council tax and utilities. Nearly 3 in 10 (28%) people said it's highly likely they will need to sell their possessions in order to have enough money to buy essentials. The increase has had a positive impact on many as the Trussell Trust (2021a) found that 35% of people report being able to repay their debts thanks to the £20 extra a week. This has provided resilience to financially insecure households and offered more financial stability.

The Trussell Trust identifies that low levels of benefit payments are the key driver of increasing food bank demand - 86% of people who use a food bank are claiming social security benefits (Trussell Trust, 2021a). In summer 2020, the Trussell Trust reported that 32% of households in need of a food bank and claiming social security were receiving legacy benefits (Trussell Trust, 2021a). If the government extended the £20 increase to cover legacy and other benefits, 100,000 people would be lifted out of relative poverty (JRF, 2021). The Trussell Trust has estimated that if the £20 increase was in place in

2019/20, it would have reduced the number of food parcels needed by 280,000. If the increase were extended to legacy and other benefits, this figure could have risen to over half a million parcels (Trussell Trust, 2021a).

## Impact on families with children

Nearly 1.9 million households with children received a UC payment in May 2021 - an increase of 55% since March 2020 (DWP, 2021b). Even though the £20 increase was flat rate, without any additional help for children, families with children will experience half the total cut to UC, which amounts to £3.2 billion per year (Harrop, 2021). Larger families with three or more children are disproportionately represented in food bank referrals: families with three or more children make up 14% of all families with children yet represent 39% of families with children being referred to a food bank (Trussell Trust, 2021b).

## Impact on disabled people

The Fabian Society states that disabled people will lose out the most if the cut comes into effect (Harrop, 2021). 57% of the cut, £3.7 billion per year, will affect households with a disabled adult. 12% of the cut will affect households where someone is a carer (Harrop, 2021). The government has not carried out an equality impact assessment for removing the £20, but various organisations have cautioned against the disproportionate impact of this cut on disabled people. For example, even though many disabled people are on legacy benefits, 1 in 3 families where someone is disabled will be affected by the £20 cut - this amounts to 2.8 million families (JRF, 2021).

The government has consistently rejected calls from charities to make the £20 increase permanent, and instead urges people to find better work with better wages. While work is an important factor in reducing poverty, some groups claiming social security are not expected to work (DWP, 2021a). These groups include some disabled people, carers and parents or guardians of young children. The Resolution Foundation (2021) estimates that 1 in 4 claimants are not expected to work due to caring for a child or having a health condition, underlining the ineffectiveness of telling people to work longer hours to compensate for the loss. The government must acknowledge that some households will face challenges in obtaining a job. Nearly 1 in 5 people told the Trussell Trust that their household caring responsibilities inhibit them from being able to work at all (Trussell Trust, 2021a).

## Impact on people in work

The proposed cut to UC will also have a significant impact on people in work as 38% of people claiming UC are employed (Waters and Wernham, 2021). JRF has calculated that, of families with children affected by the cut, 64% are working - equal to 3.5 million families (JRF, 2021). A survey by the Trussell Trust (2021a) found 35% of people who are working and claiming UC think there's a high possibility they will need to cut down on food for themselves if the government goes ahead with the cut.

## Impact on local economies

Many organisations stress that people on a low income spend their money in their local economy. JRF (2020) explains that it is two to three times more effective to target fiscal stimulus towards people at the bottom of the wealth distribution, or to unemployed people, than the same measure aimed at the whole population. The Trussell Trust (2021a) estimates that 1 in 5 people in Blackpool are claiming UC. Removing £20 a week from a fifth of the town's population would be the equivalent of removing £350,000 a week or £18.7 million a year from the local economy.

## Public attitudes

By introducing the £20 increase to UC and WTC the government tacitly recognised (and a good proportion of the public agreed) that the current levels of benefit payment were inadequate. According to polling by the Fabian Society, 67% of people are in favour of permanently keeping the £20 in UC (Abey and Harrop, 2021). The results indicated that 35% agree benefits should remain at the same level as has been paid during the pandemic, and 19% say levels should be raised even more, compared to 27% who disagree and think benefits should be decreased (Abey and Harrop, 2021). Additional polling conducted by the Health Foundation (2020) corroborates these figures with the majority (59%) of participants supporting making the increase permanent. However, it is necessary to acknowledge polling conducted by the Centre for Policy Studies which indicates that although 37% of respondents felt benefit levels are too low (compared to 21% who thought they are too high), there was no clear majority who supported the retention of the UC increase - 44% in support compared to 42% who oppose (Heywood and Dupont, 2021).

## Funding

As stated in the APPG's first report on the issue, 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 (2018), 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. The APPG therefore encourages the Treasury to bring forward longer-term proposals on fiscal policy to pay for this measure.

## Conclusion

This autumn is set to be challenging for many households across the country. The government's Coronavirus Job Retention Scheme is coming to an end, energy prices are projected to soar, inflation has increased to 3.5% and UC is due to be cut. These circumstances would cause hardship even for financially-secure households, let alone people on a low income. The APPG joins various organisations across civil society in calling for the permanent retention of the £20 increase.

The APPG recommends:

- Making the £20 increase to UC and WTC permanent
- Extending the increase to cover people on legacy and other benefits.

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## 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.

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