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Opposition Day Debate: Universal Credit and Working Tax Credit

1 Background

1.1 Universal Credit

Universal Credit (UC) is a means-tested benefit which is in the process of replacing six existing benefits and tax credits (including Working Tax Credit) for working-age households. It is available to those who are in work but on low incomes, as well as those who are unemployed or whose capability for work is limited by sickness or disability.

UC has been available in every part of the UK since December 2018 and is now the only option for any working-age individual or family wishing to apply for a means-tested benefit. In March 2020, 3 million people were on Universal Credit. Numbers rose substantially during the coronavirus crisis, reaching 5.8 million people by the end of 2020 and staying fairly steady up to August 2021. At 12 August 2021, there were 5.9 million people on Universal Credit in Great Britain.[1]

Universal Credit awards comprise a standard allowance with additional amounts provided for children and housing, as well as other needs and circumstances such as childcare, caring, and sickness/disability.

See section 1.6 for Universal Credit standard allowance rates for 2021/22.

1.2 The Universal Credit and Working Tax Credit 'uplift'

On 20 March 2020, at the beginning of the coronavirus pandemic, the Chancellor of the Exchequer announced temporary increases to the following working-age, means-tested benefits and tax credits:

- The standard allowances of Universal Credit (UC),
- The basic element of Working Tax Credit (WTC), and
- Local Housing Allowance rates.

These increases in UC and WTC – or the 'uplift' as they are often called – amounted to an additional £1,000 per year, or £20 per week. The Chancellor stated that this uplift was designed to "strengthen the safety net" during the coronavirus pandemic, as part of a support package for household finances which included the introduction of the Coronavirus Job Retention Scheme (CJRS) – or the 'furlough' scheme – to support employees which was

[1] DWP, Universal Credit statistics, 29 April 2013 to 12 August 2021, 14 September 2021

announced at the same time.[2] The Self-Employment Income Support Scheme for self-employed people was also introduced shortly thereafter.[3]

This uplift, however, did not apply to any other benefits, such as contributory benefits or extra-costs disability benefits such as Personal Independence Payment (PIP). It also did not extend to means-tested benefits which are being replaced by Universal Credit, but are still being claimed by many low-income families of working age. These are known as 'legacy' benefits and include: income-related Employment and Support Allowance (ESA), income-based Jobseeker's Allowance (JSA), and Income Support.

Further information on the debate over whether to extend the 'uplift' to DWP legacy benefits, and an ongoing legal challenge to the Government's policy on this, can be found in the Commons Library paper, Coronavirus: Legacy benefits and the Universal Credit 'uplift', 28 May 2021.

1.3 Debate following the introduction of the uplift

The uplift was welcomed across Parliament and by welfare rights organisations. The Child Poverty Action Group (CPAG) noted that "[t]his represented the biggest increase in working-age benefits for decades, and immediately provided some financial relief to families affected by the pandemic."[4]

The Government was clear when introducing the uplift that it would be a temporary measure which would apply **for 12 months** which meant that it would be withdrawn in April 2021 unless extended.[5] Will Quince, the Minister for Welfare Delivery, noted in May 2020 that the funding had been secured from the Treasury for 12 months, but that it would be kept "under review".[6]

Calls to extend the uplift beyond April 2021

Members of Parliament from various political parties subsequently called for this uplift to be extended or made permanent. In August 2020, former Secretary of State for Work and Pensions Stephen Crabb called on the Government to make this uplift permanent, arguing that its removal would "amount to a painful cut in income for many people still struggling to come to terms with the loss of their job and who have found the transition from

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2 'The Chancellor Rishi Sunak provides an updated statement on coronavirus', GOV.UK press release, 20 Mach 2020

3 'Chancellor gives support to millions of self-employment individuals', GOV.UK press release, 26 March 2020

4 'New survey shows deteriorating living standards for low-income families as a result of Covid-19', CPAG press release, 14 December 2020

5 See, for example, the Secretary of State for Work and Pensions' statement in the House of Commons in May 2020: HC Deb 4 May 2020, c425

6 HC Deb 11 May c4

furlough to benefits a very hard landing indeed".[7] In September 2020, both the Treasury Committee and the Work and Pensions Committee also raised this issue: the Treasury Committee called on the Government to "consider extending" the uplift,[8] while the Work and Pensions Committee recommended that the uplift should be maintained "with annual inflation-based increases thereafter".[9] The Work and Pensions Committee repeated this call in a report specifically on the UC and WTC uplift in February 2021, which also noted that the Chancellor should extend the uplifts by 12 months "at the very least" and then announce future plans no later than Autumn Statement 2021.[10]

Subsequently, various campaigning organisations made similar calls to retain the uplift in UC and WTC, and in some cases to extend them to other 'legacy benefits' which were not increased in March 2020. The Joseph Rowntree Foundation (JRF) coordinated an open letter in September 2020 calling on the Chancellor to "keep the lifeline", signed by a number of charities, campaigning organisations, and religious figures.[11] The JRF argued that if the uplift were to be removed in April 2021, "around half a million more people, including 200,000 children, will be pulled into poverty".[12]

The Resolution Foundation argued against what it characterised as "death by £1,000 cuts", comparing the reductions in household income that would result from removing the temporary increases with cuts to tax credits proposed in 2015. It pointed out that, whereas in 2015 3.3 million working families had been expected to lose £1000 a year on average, from April 2021 6 million households were at risk of seeing their incomes reduced by £20 a week. It noted that what it then estimated would be a cut to UC and WTC "at around £8 billion" would be "twice as big as the £3.4 billion George Osborne intended (£3.7 billion in 2021-22 money)".[13]

Several organisations published analysis focusing on the impact on households of retaining or reversing the benefit increases. In its October 2020 'Green Budget', the Institute for Fiscal Studies (IFS) used its tax-benefit microsimulation model to estimate impact of the uplift on household types and income deciles.

7 'My Government must to more to help working poor cope with Covid', Huffington Post, 30 August 2020
8 Treasury Committee, Eighth Report: Economic impact of coronavirus: the challenges of recovery, 11 September 2020, para. 80
9 Work and Pensions Committee, Universal Credit: the wait for a first payment, 19 October 2020, para. 122
10 Work and Pensions Committee, The temporary increase in Universal Credit and Working Tax Credit, 9 February 2021, para. 40
11 Joseph Rowntree Foundation, Joint open letter to The Chancellor - Keep the lifeline, 30 September 2020
12 Joseph Rowntree Foundation, Spending Review: No plan to protect people in poverty, 26 November 2020
13 Resolution Foundation, Death by £1,000 cuts, 2 October 2020

> Not surprisingly, the policy is clearly progressive: on average, it increases the income of the poorest 10% of households by 5%, with a fairly rapidly declining impact on each decile above that.[14]

In January 2021, Citizens Advice described the uplift as "one of the government's most successful pandemic policies" and noted the impact that the withdrawal of the temporary increases might have on people they help with debt problems who rely on benefits for some or all of their income.

> One of the main factors holding back financial ruin for many of these families is the uplift. If it was removed, we'd be seeing a much higher rate of Universal Credit and Working Tax Credit claimants not being able to afford basic necessities — increasing from 43% to 75%.[15]

The Resolution Foundation provided a distributional analysis outlining estimated income losses for richer and poorer households of withdrawing the uplift:

> [The] increase helped to offset – at least on average – the initial fall in incomes caused by the labour market effects of the virus for the lowest-income households. Now, the Government risks undoing this protection for the poorest families at a time when they need it most.
>
> [...]
>
> ...our current forecast [is] that poorest families will suffer a huge 7 per cent fall in income if the £20 per week increase is removed in April.[16]

Calls to withdraw or replace the uplift from April 2021

Some commentators made the case that the uplift should end at some point. Press reports also detailed resistance within the Government to permanent increases.

In January 2021, Len Shackleton at the free market think tank, the Institute of Economic Affairs, argued that "across-the-board benefit increases are a wasteful use of taxpayers' money." He urged the Government to resist such demands for spending, arguing that they would result in higher taxes which would damage the recovery and "hit the poorest the hardest."[17]

The Centre for Policy Studies argued that the uplift should be replaced by a temporary "coronavirus hardship element", which could be paid for the 6

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[14] Institute for Fiscal Studies (IFS), The temporary benefit increases beyond 2020-21, 9 October 2020
[15] Citizens Advice, The Chancellor has an important decision to make – he must keep the lifeline, 15 January 2020
[16] Resolution Foundation, Safe harbour? Six key welfare policy decisions to navigate this winter, 7 October 2020
[17] Institute for Economic Affairs, Any extension of the Universal Credit uplift should not be made permanent, says IEA expert, 17 January 2021

months from April 2021 before being phased out. Some of the savings made from removing the uplift could, it suggested, be used instead to improve work incentives by cutting the Universal Credit taper rate from 63% to 55%, and to uprate UC elements by 2.5% (rather than 0.5%) in April 2021. Taken together, CPS argued that these changes would cost around £3 billion a year; around half of the estimated cost of maintaining the full £20 a week uplift for the whole year.[18]

Media sources reported concerns within Government over the cost of making the uplift permanent.[19] Options reportedly discussed included making one-off payments,[20] retaining the uplift for the duration of public health measures then replacing it with more targeted support,[21] and "keep[ing] the present financial support."[22]

Opposition Day Debate – January 2021

On 18 January 2021, the Labour Party called an Opposition Day debate on the future of the uplift.[23] The motion debated was:

> That this House believes that the Government should stop the planned cut in Universal Credit and Working Tax Credit in April and give certainty today to the six million families for whom it is worth an extra £1,000 a year.

Conservative Members largely abstained and the motion was carried with 278 ayes and zero noes.

1.4 Extension of the Universal Credit uplift in the March 2021 Budget

In his Budget speech on 3 March 2021, the Chancellor announced that the uplift in the Universal Credit standard allowances would continue for a further 6 months. The uplift to the basic element of Working Tax Credit was not extended, however, although it was announced that WTC claimants would

[18] Centre for Policy Studies, The Universal Credit Uplift: The Way Forward, 24 January 2021

[19] See Boris Johnson faces anger from Tory MPs over planned welfare benefit cut, Financial Times, 18 January 2021

[20] For example Rishi Sunak doubles one-off payment offer for universal credit claimants to £1,000, The Telegraph, 23 January 2021

[21] , £20 BUMP TO STAY Universal Credit uplift set to be extended while Covid restrictions last and then given to the poorest, The Sun, 25 January 2021

[22] No 10 piles pressure on Rishi Sunak over universal credit extension, The Times, 22 January 2021

[23] See Opposition Day Debate: A Motion relating to Universal Credit and Working Tax Credit, Commons Library Debate Pack CDP-2021-0009, 15 January 2021, and (for the text of the debate) HC Deb 18 January 2021 c637

receive a one-off payment of £500.[24] The Chancellor noted that the Government would thereafter shift resources and "focus towards getting people into decent, well-paid jobs."[25]

The reason for the one-off WTC payment is that tax credits are calculated on an annual cycle based on the tax year, so increasing payments temporarily for six months is less straightforward than in UC, where awards are calculated monthly.

Responding to the Chancellor's statement, the Leader of the Opposition, Keir Starmer, accused the Chancellor of having been "dragged, kicking and screaming, into extending the £20 uplift in universal credit." He went on to criticise the length of the extension, arguing it was "deferring the problem" and that ending it in six months would result in insecurity and a loss £1,000 a year for six million households. He announced that Labour's policy would be to keep the uplift until "a new, fairer system" could replace UC.[26]

Debating the Budget on 4 March, Conservative and opposition parties' MPs welcomed the extension of the uplift.[27] Some, including the Chair of the Work and Pensions Committee, Stephen Timms, expressed concern that a cut would come "just as furlough ends and unemployment reaches its peak."[28] Others, such as Mark Fletcher, were more supportive, pointing out that the uplift would continue "until we are out of the woods."[29]

Many campaigning groups and think tanks welcomed the extension, but reiterated concerns about benefits being cut after six months.

The Joseph Rowntree Foundation said, in reaction to the March Budget, that withdrawing the increase would return the rate of unemployment support to its lowest real-terms level since 1990. It argued that alongside the closure of the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme, and what it then predicted would be a peak in unemployment, the result would be a "Winter of hardship."[30]

The Institute for Fiscal Studies pointed out at the time of the March Budget that the "labour market isn't much stronger than it was this time last year, so there's a clear rationale for extending the UC boost a bit longer." It noted, however, that withdrawing the uplift completely will result in an "overnight" benefit cut of more than 20% for some. It argued further that clear advance

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24 See HMRC, New one-off £500 payment for working households receiving tax credits, 3 March 2021
25 HC Deb 3 March 2021 c251
26 HC Deb 3 March 2021 c264
27 HC Deb 4 March 2021 c423
28 Ibid c440
29 Ibid c451
30 Joseph Rowntree Foundation, JRF Spring Budget 2021 analysis, 4 March 2021

communication will be crucial to help families adjust, and that a gradual taper would have been a "less troublesome" way to withdraw support.[31]

On the other hand, Len Shackleton of the Institute of Economic Affairs expressed concern about the cost of this extension. He argued for "a more targeted approach" to providing support during the pandemic and suggested that the Chancellor should "be wary not to make this temporary measure a permanent commitment to welfare increases."[32]

Others, such as Gavin Rice at the Centre for Social Justice, suggested that some of funds used for the uplift could be "reinvested elsewhere", such as by lowering the "taper rate" at which UC awards are reduced with additional earnings, and expanding the support offered to claimants.[33]

1.5 The future of the uplift

The UC uplift is now set to end at the beginning of October 2021, shortly after the expected closure of the CJRS and SEISS in September. The uplift will continue to apply to UC awards for monthly assessment periods ending up to, and including, 5 October 2021. It will no longer apply to UC awards for monthly assessment periods which do not end before 6 October 2021.[34]

The Secretary of State for Work and Pensions, Thérèse Coffey, informed the Work and Pensions Committee on 7 July 2021 of the DWP's plans for withdrawing the uplift:

> Ahead of October, we will start communicating with the current claimants who receive the £20 to make them aware that that will be being phased out and they will start to see an adjustment in their payments. I think it kicks in largely in October, but it will start to kick in towards late September for some people. The current proposal is that we will be recognising that this was brought in in line with the temporary measures to support people during the Covid pandemic. It is being phased out, in line with all the other temporary measures that are also being removed.[35]

[31] Institute for Fiscal Studies, Budget 2021, 4 March 2021

[32] Institute of Economic Affairs, Budget 2021 response, 3 March 2021

[33] Gavin Rice, The government should roll out Universal Support to provide wrap-around support for those most at risk of long-term unemployment, Smart Thinking, 2 March 2021

[34] Regulation 2(1) of The Universal Credit (Extension of Coronavirus Measures) Regulations 2021 (SI 2021/313), as amended.

[35] Work and Pensions Committee, Oral evidence: The Work of the Secretary of State for Work and Pensions, HC 514, 7 July 2021, Q12

Dr Coffey noted that as UC claimants have different monthly assessment period and payment dates, different claimant households will receive their final payments on different days: "It will not be on one single day".[36]

She also confirmed that the Government's collective decision was that "as we see the economy open up, we shift the focus strongly into getting people into work and jobs".[37]

On 22 July, the Minister of Welfare Delivery, Will Quince, wrote to the Work and Pensions Committee to inform them that the Department would send its first communication on 23 July to inform UC claimants of the withdrawal of the uplift from their UC payments:

> The first communication will be done tomorrow (23rd July) by updating claimant statements, notifying them of how much of their standard allowance is a result of the temporary uplift that has been provided in response to the COVID-19 pandemic.
>
> We will do further communications with claimants over the Summer via their statement and journal messages ahead of the uplift ending in the Autumn, making it clear that it will no longer be included in their standard allowance. The way the journal system works is that by default it triggers a notification alert to claimants via email or text, depending on their preferred method of communication.
>
> As the Secretary of State made clear at the Select Committee we are not writing letters to claimants.[38]

Notifications to UC claimants about the withdrawal of the uplift were subsequently reported in August 2021 and a copy has been shared on the Rightsnet website for welfare rights advisors.

It was reported subsequently, following surveys conducted by the charities Turn2Us and the Trussell Trust in early-mid August, that a proportion of Universal Credit claimants were unaware of the withdrawal of the uplift (36% in a Turn2Us survey of 4,000 people, and 18% in a Trussell Trust survey of 2,000 people).[39]

Debate on keeping uplift beyond October 2021

Calls to keep the uplift beyond the extended date of early October 2021 began to emerge following the March 2021 Budget. Politicians and parliamentarians

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[36] Ibid., Q123

[37] Ibid. Q13

[38] Letter from Will Quince, Minister for Welfare Delivery, to Stephen Timms, chair of the Work and Pensions Committee, 22 July 2022

[39] 'Universal Credit cut will come as shock for claimants, says Labour', The Guardian, 20 August 2021

from different political parties have called on the Government to continue with this additional support or to make it permanent.

In April, not long after the Universal Credit uplift was extended by six months, the parliamentary group of One Nation Conservatives and the Tory Reform Group advocated for the uplift to be made permanent, noting that to remove it "while our economy is still recovering from the pandemic would be a mistake".[40] On 20 July, chairs of the Work and Pensions Committee in the House of Commons, the Scottish Parliament's Social Security and Social Justice Committee, the Northern Ireland Assembly's Communities Committee, and the Welsh Parliament/Senedd's Equality and Social Justice Committee wrote to the Chancellor and the Secretary of State for Work and Pensions, asking them to "consider making this uplift permanent and extending it to legacy benefits".[41] Dr Coffey replied on 5 August, confirming that the uplift would be withdrawn as planned from October 2021, saying that the Government's focus was now on "supporting people back into work and supporting those already employed to progress in their careers".[42]

Subsequently, on 30 August, ministers from the devolved governments (including the Scottish Government's Cabinet Secretary for Social Justice, Housing and Local Government, the Welsh Government's Minister for Social Justice, and the Northern Ireland Executive's Minister for Communities) wrote to the Secretary of State for Work and Pensions, to "express the grave concerns of all three devolved administrations regarding your Department's upcoming plans to withdraw support to the poorest in our society by allowing the £20-per-week increase to Universal Credit and Working Tax Credit to expire". These ministers expressed concern about the potential impact on "child poverty, poverty levels and the financial health and wellbeing of people". They also queried how withdrawing the uplift encourages people into work, particularly for UC claimants who are already in work or who are not required to work.[43]

In July, six former Conservative Secretaries of State for Work and Pensions (Iain Duncan Smith, Stephen Crabb, Damian Green, Esther McVey, Amber Rudd, and David Gauke) wrote to the Chancellor to ask him to maintain the "additional resources" put into Universal Credit during the pandemic. The letter was quoted in the Telegraph as calling for "the current funding for individuals in the Universal Credit envelope to be kept at the current level".[44]

Explaining their position further on the Conservative Home website, David Gauke argued that maintaining the uplift was "not necessarily the right approach", noting that "in normal times… there are better ways to improve

[40] One Nation Conservatives, One Nation Pathway to Recovery, 19 April 2021

[41] Letter from Committee Chairs to Chancellor of the Exchequer and the Secretary of State for Work and Pensions, 20 July 2021

[42] Letter from Secretary of State for Work and Pensions to Stephen Timms, 5 August 2021

[43] Letter from devolved governments to Secretary of State

[44] 'Make £20 Universal Credit boost permanent, Iain Duncan Smith tells Rishi Sunak', The Telegraph, 4 July 2021

the way UC works – such as increasing the work allowance or lowering the taper rate". He explained, therefore, that current funding levels should be maintained, but that the Government should "consider how that money is spent".[45] Mr Gauke later argued that a "simple cancellation" of the uplift "would be too detrimental to millions of our poorest citizens, especially at a time of rising prices and continued economic uncertainty."[46]

In August, the Shadow Secretary of State for Work and Pensions, Jonathan Reynolds, reiterated previous calls to continue with the uplift. He noted that "taking £1,000 a year from millions of struggling families, inflicting the biggest overnight cut to social security in modern times, is economically and morally the wrong decision".[47]

Over the summer, various welfare rights organisations and think tanks have campaigned to keep the uplift beyond October 2021. The Joseph Rowntree Foundation has resumed its 'keep the lifeline' campaign, in collaboration with a number of other organisations, which advocates for making the uplift permanent, arguing that withdrawing it will cause serious financial hardship.[48] The JRF has noted that, before the uplift was introduced, the main rate of out-of-work support was at its lowest level in real terms since 1990 and its lowest ever as a proportion of average wages:

> The current Government's decision to increase UC by £20 a week was a recognition that previous levels were no longer adequate. Cutting the system back to those levels and repeating past mistakes would make no sense.[49]

The JRF subsequently wrote to the Prime Minister on 2 September with 100 organisations – such as welfare, disability, and mental health charities, as well as housing bodies, think tanks and campaign groups – to urge the Government not to go ahead with the planned withdrawal of the uplift at the beginning of October.[50]

The Resolution Foundation also reiterated its call to keep the uplift and to make it permanent in recognition of the fact that, in their assessment, the basic rate of social security support "is simply too low". It noted that had this grown in line with GDP per capital since 1990, it would now be £40 a week higher.

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45 'David Gauke: The Duncan Smith-Gauke Alliance. We band together to back Universal Credit', ConservativeHome blog, 5 July 2021

46 'Why the government's argument for cutting Universal Credit isn't credible', The New Statesman, 9 September 2021

47 'Jonathan Reynolds response to PM's comments on Universal Credit', Labour Party press release, 5 August 2021

48 JRF, UK heading for the biggest overnight cut to the basic rate of social security since World War II, 23 July 2021

49 JRF, #KeepTheLifeline: urging the Government not to cut Universal Credit, 23 July 2021

50 JRF, Keep the lifeline – open letter to the Prime Minister, 2 September 2021

The Resolution Foundation also said that even if the uplift is not kept in perpetuity, it should still not be removed as prices are rising swiftly and while the economy is recovering. It therefore suggested, as an alternative, that the uplift could be made permanent, but with the uplifted standard allowances then being frozen, which in four years would halve the cost by 2025-26 "to around £3 billion a year". It noted, however, that this would still leave basic out-of-work support at historically low levels.[51]

On the other hand, James Heywood from the Centre for Policy Studies (CPS), argued in August that the blanket £20-a-week uplift for all Universal Credit claimants was not a cost-effective way to solve many of the challenges facing the social security system, although he acknowledged that "there are arguments to be made for a more generous welfare safety net". Reiterating points made in the CPS' aforementioned proposals which it published in January as alternatives to extending the uplift from April 2021,[52] he noted that a more effective way to help UC claimants on low pay would be to increase work allowances or cut the taper rate so that working claimants can keep more of the money they earn. He also argued that an uplift applying to all UC claimants – including those without children – was not the "optimum use of resources if you're trying to tackle child poverty".[53]

1.6 Impact and cost estimates for withdrawing the uplift

UC standard allowances with and without the uplift in 2021/22

The table below provides the 2021/22 rates for Universal Credit standard allowances with the uplift up until 5 October 2021, and then without the uplift from 6 October 2021.

[51] Resolution Foundation, To govern is to choose, 6 September 2021

[52] Centre for Policy Studies, The Universal Credit Uplift: The Way Forward, 24 January 2021

[53] James Heywood, Keeping the £20 Universal Credit uplift is neither cost-effective nor compassionate, CapX blog, 20 August 2021

Universal Credit standard allowances, 2021/22

	6 April 2021 to 5 October 2021 (with uplift)	6 October 2021 to 5 April 2022 (without uplift)	Change	
	£ per month	£ per month	£ per month	%
Single under 25	344.00	257.33	-86.67	-25.2%
Singe 25 and over	411.51	324.84	-86.67	-21.1%
Joint claimants both under 25	490.60	403.93	-86.67	-17.7%
Joint claimants, one or both 25+	596.58	509.91	-86.67	-14.5%

Source: DWP Benefit and pension rates 2021/22 on Gov.uk

Impact of withdrawing the uplift from UC and WTC claimants in October 2021

There have been various attempts to estimate the impact of withdrawing the uplift from UC and WTC claimants.

The Joseph Rowntree Foundation conducted an analysis of the number and proportion of families who will be affected by the withdrawal of the uplift by each UK parliamentary constituency. It estimated that:

- 140 constituencies would see more than one in four of all families affected;
- On average 21% of all working-age families in Great Britain will be directly affected by the withdrawal of the uplift;
- Over 400 constituencies would have over one in three working-age families with children who experience the withdrawal of the uplift
- 500,000 people would be "swept into poverty – including 200,000 children"; and that
- Families with children "will be disproportionately impacted", including "6 in 10 of all single-parent families in the UK".[54]

The Resolution Foundation has also estimated the impact by parliamentary constituency, calculating that in the 4.4 million households which will be affected by the withdrawal of the uplift, there are 5.1 million adults and 3.1

[54] JRF, Universal credit cut – impact by constituency, 26 August 2021

million children. It noted that this averages around 8,000 adults and 5,000 children per parliamentary constituency, and that in certain regions (the North East, Yorkshire and the Humber, the West Midlands, Wales, and London) over 1 in 5 non-pensioner households will lose out as a result of the withdrawal of the uplift. They also estimated that the typical loss for households on UC will be over 5% of disposable income (after housing costs), and for 1 million households (1 in 5 of those affected) losses will be over 10% of their income. According to their estimate, a single adult aged 25 or over with no other income will lose a fifth of their income, and a single adult under 25 will lose a quarter of their income.[55]

Citizens Advice has estimated that more than a third (38%) of people affected by the withdrawal of the uplift are in employment, with one in six (16%) being under 25. They also noted that roughly 1.9 million families with children would see their benefits cut, and that the regions likely to be affected the most are London and the North East.[56]

The Health Foundation has observed that the withdrawal of the uplift "has the potential to further widen health inequalities" and "leave some areas further behind the average for living standards". It notes that areas with a higher proportion of the population on UC or WTC also tend to have a lower health life expectancy, and that the average loss of income for working-age families in the 10% of local authorities with the worst health will be almost twice that of families in the 10% of local authorities with the best health:

> Looking at it the other way, the 10% of councils with the greatest share of the working age population in receipt of Universal Credit and therefore set to experience the greatest overall reduction in income if the uplift ends have an average life expectancy of 59.8 years, which is 7.8 years lower than 67.6 years in the areas least affected.[57]

The DWP has said, in response to a number of parliamentary questions, that it has not conducted a formal impact assessment of the withdrawal of the uplift.[58] In response to a Freedom of Information request for any analysis the Department had taken on the potential impact on poverty of withdrawing the uplift, submitted by the Poverty Alliance, the DWP said it was "not in the public interest" to disclose this.[59] It has been reported in the Financial Times that the Government has conducted "internal modelling" to analyse the impact of withdrawing the uplift:

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55 Resolution Foundation, To govern is to choose: The choices facing the Chancellor this autumn, 6 September 2021, pp10-16

56 Citizens Advice, Universal Credit cut: Everything you need to know, 6 August 2021

57 Health Foundation, What will the end of the Universal Credit uplift mean for areas of poor health?, 10 September 2021

58 See, for example, PQ 33907, 15 July 2021

59 'Poverty Alliance demand publication of Universal Credit analysis', The Poverty Alliance press release, 19 July 2021

> A well-placed Whitehall official said the government's own analysis highlighted the deep impact of reversing the change. "The internal modelling of ending the UC uplift is catastrophic. Homelessness and poverty are likely to rise, and food banks usage will soar. It could be the real disaster of the autumn."[60]

Cost of maintaining the uplift beyond October 2021

The total cost of the Universal Credit and Working Tax Credit £20-per-week uplifts was £6.1 billion in 2020/21.[61]

The extension of the Universal Credit uplift for 6 months, and the one-off £500 payment to Working Tax Credit, announced in the March 2021 Budget, were estimated to cost just over £3 billion in 2021/22.[62]

There have been several estimates for the cost of continuing with the Universal Credit uplift beyond October 2021, or the savings in terms of withdrawing it.

The Institute for Fiscal Studies (IFS) estimated in July 2021 that making the uplift permanent would cost "about £6 billion per year in the long-run, increasing the total amount spend on UC from £68 billion to £74 billion". "In the long run" refers to a situation in which Universal Credit has been fully rolled out, with all legacy benefit claimants (including Working Tax Credit claimants) having moved to UC.[63]

The Resolution Foundation has estimated that the immediate savings made by withdrawing the uplift in October will be around £5 billion a year, although this does not include Working Tax Credit as the uplift for that was technically withdrawn in April 2021. It notes that in the long term, as UC is rolled out fully to all legacy benefit and tax credit claimants, "the impact of the £20-a-week UC decision will grow to around £6 billion a year".[64]

The actual costs will vary depending on economic conditions and benefit caseloads.

Both the JRF and the Resolution Foundation have noted that the withdrawal of the uplift will amount to one of the most significant benefit cuts in the last century. In July 2021, the JRF argued that the withdrawal of the uplift in October would "impose the biggest overnight cut to the basic rate of social

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[60] 'UK ministers braced for 'catastrophic' end to welfare uplift', Financial Times, 8 September 2021

[61] HM Treasury, Spending Review 2020, table 1.1; lines 20-22

[62] HM Treasury, Budget 2021, March 2021, table 2.1, p41

[63] IFS, The expiry of the Universal Credit uplift: impacts and policy options, 15 July 2021

[64] Resolution Foundation, To govern is to choose: The choices facing the Chancellor this autumn, 6 September 2021, pp10-11

security since the foundation of the modern welfare state", which it measures from 1948.[65]

The Resolution Foundation has compared the savings from the withdrawal of the uplift to other major benefit reductions since the early 20th century. It observes that the "one benefit cut that comes close" to the withdrawal of the uplift is the change to the tax credit taper and income threshold originally announced at the 2015 Summer Budget, which was subsequently cancelled at the 2015 Spending Review and Autumn Statement and never implemented.[66] The Resolution Foundation therefore conclude:

> While others have noted that this is the biggest cut to the basic rate of social security since World War Two, this analysis points to it being even more unprecedented. We believe the UC reduction is quite possibly the largest overnight reduction in benefit support ever in GDP terms, and certainly the largest in real terms.[67]

[65] JRF, UK heading for the biggest overnight cut to the basic rate of social security since World War II, 23 July 2021

[66] HM Treasury Spending review and autumn statement 2015, table 3.1. The Resolution Foundation has previously drawn this comparison in Death by £1000 cuts?, 2 October 2020

[67] Resolution Foundation, To govern is to choose: The choices facing the Chancellor this autumn, 6 September 2021, pp11-13

2 Parliamentary Material

2.1 Debates

Universal Credit and Working Tax Credit

15 January 2021 | House of Commons | 687 cc 637-683

2.2 Parliamentary Questions

Topical Questions

13 Sep 2021 | 700 c659

Asked by: Jonathan Reynolds

This morning, during her television appearance, the Secretary of State said that a person could make up for the Government's £20 a week cut in universal credit by working just two extra hours a week. I am sure she is aware by now that she got that completely wrong: the taper rate would of course remove a proportion of those additional earnings, so the net earnings for those extra two hours would be far less than £20. May I therefore ask her if she now knows how many more hours a single parent working full time would have to work to make up for the money the Government is cutting?

Answered by: Dr Coffey |Department: Work and Pensions

Every single universal credit payment depends on the individual, so I cannot articulate that, but it is fair to say that a number of different levers appear when people work more hours, and that includes the lifting of the benefit cap. There are a number of ways in which people can earn more and keep more of their money when they are working more hours.

Universal Credit

06 Sep 2021 | 41254

Asked by: Ruth Jones

To ask the Chancellor of the Exchequer, what discussions he has had with the Secretary of State for Work and Pensions on the effect on the Exchequer of ending the £20 uplift to universal credit.

Answering member: Steve Barclay | Department: Treasury

In line with the practice of successive administrations, details of ministerial discussions are not normally disclosed.

The Government has always been clear that the £20 per week increase to Universal Credit was a temporary measure to support households whose incomes and earnings were affected by the economic shock of Covid-19. Extending the uplift permanently would come at a very significant annual cost, equivalent in 2022-23 to adding 1p on the basic rate of income tax, in addition to a 3p increase in fuel duty.

The Government is committed to helping low-income families with the cost of living, including providing £670 million in 2021/22 for local authorities to support households struggling with their council tax bills, £140 million in 2021/22 for Discretionary Housing Payments, expanding the Holiday Activities and Food programme to all children in England, increasing Healthy Start vouchers, and establishing a 60-day breathing space period for those in problem debt.

Within the welfare system, the Government is maintaining the increase to Local Housing Allowance rates for private renters on Universal Credit and Housing Benefit in cash terms in 2021-22. This increase was worth over an extra £600 on average in 2020-21 for more than 1.5 million households.

The Government is also maintaining its focus on helping people back into work. As part of the comprehensive Plan for Jobs, the Government announced the new three year Restart programme, which will provide intensive and tailored support to over one million unemployed Universal Credit claimants across England and Wales, and the £2 billion Kickstart scheme, which will create hundreds of thousands of new, fully subsidised jobs for young people at risk of long-term unemployment. To date, over 50,000 Kickstart jobs have been started by young people across a range of different sectors, including construction, health and social care, manufacturing, retail, and transport.

Universal Credit: Coronavirus

22 Jul 2021 | 35954

Asked by: Claire Hanna

To ask the Secretary of State for Work and Pensions, if she will publish her Department's impact assessments for the removal of the uplift to universal credit.

Answering member: Will Quince | Department: Department for Work and Pensions

No assessment has been made.

Universal Credit has provided a vital safety net for six million people during the pandemic, and we announced the temporary uplift as part of a £400 billion package of measures put in place that will last well beyond the end of the roadmap. Our focus now is on our multi-billion Plan for Jobs, which will support people in the long-term by helping them learn new skills and increase their hours or find new work.

3 Press Articles

The following is a selection of news and media articles relevant to this debate.

Please note: the Library is not responsible for either the views or the accuracy of external content.

3.1 News articles

MPs can stand up for national interest by voting down universal credit cut
The Times
14 September 2021

Universal Credit: Cut is two hours extra work for claimants, says Therese Coffey
BBC
13 September 2021

Ending universal credit boost will hit sickest areas the hardest, study shows
The Guardian
10 September 2021

Universal Credit reduction 'will hit Northern Ireland hardest'
BBC
7 September 2021

Universal Credit: Scrapping £20 uplift will be biggest ever overnight benefit cut for millions
inews
6 September 2021

Removal of Universal Credit uplift will hit working families hard, with carers and hairdressers among the worst off
Sky News
6 September 2021

Government's Universal Credit cut would breach human rights obligations, says HRW
The Independent
4 September 2021

Universal credit £20 drop: 'I'm used to hunger pains'
BBC
2 September 2021

Doctors, charities and Tory thinktank urge PM to drop universal credit cut
The Guardian
2 September 2021

NHF and PlaceShapers among 100 signatories on letter urging government not to cut Universal Credit
Inside Housing [subscription required]
2 September 2021

Government rejects call from UK nations to keep 'vital' universal credit uplift
The Independent
1 September 2021

Conservative MPs call on Boris Johnson to make temporary £20 Universal Credit uplift permanent ahead of October deadline
Sky News
26 August 2021

'Third of Scots families to lose £1,040' via universal credit cut
The Times [subscription required]
26 August 2021

Planned cut to universal credit could push more than 2m people into debt
The Guardian
26 August 2021

Universal credit cut will come as shock for claimants, says Labour
The Guardian
20 August 2021

Housing bodies call for Universal Credit uplift to be extended
Inside Housing [subscription required]
19 August 2021

Charities and landlords' group demand government publish assessment of cutting universal credit
The Independent
17 August 2021

UK parliaments back continued universal credit boost
BBC
21 July 2021

Rishi Sunak 'must keep extra £20 on universal credit'
The Times [subscription required]
5 July 2021

Why Rishi Sunak should keep the Universal Credit uplift

The Spectator [subscription required]
17 June 2021

The Chancellor has an important decision to make — he must keep the lifeline
Citizens Advice
15 January 2021

3.2 Press releases

Assembly calls for the Universal Credit uplift to be permanent
London Assembly
02 September 2021

Any extension of the Universal Credit uplift should not be made permanent, says IEA expert
Institute for Economic Affairs
17 January 2021

New survey shows deteriorating living standards for low-income families as a result of covid-19
Child Poverty Action Group
14 December 2020

4 Further Reading

4.1 Library publications

Coronavirus: Legacy benefits and the Universal Credit 'uplift'
House of Common Library
28 May 2021

Coronavirus: Withdrawing crisis social security measures
House of Common Library
30 April 2021

Coronavirus: Universal Credit during the crisis
House of Common Library
15 January 2021

Opposition Day Debate: A Motion relating to Universal Credit and Working Tax Credit
House of Commons Library
15 January 2021

4.2 Committee reports

The temporary increase in Universal Credit and Working Tax Credit
4th Report of Session 2019–21
House of Commons Work and Pensions Committee
HC 1193
5 February 2021

4.3 Reports

Resolution Foundation, To govern is to choose: The choices facing the Chancellor this autumn, 6 September 2021

Institute for Fiscal Studies, The expiry of the Universal Credit uplift: impacts and policy options, 15 July 2021

The Trussell Trust, Dignity or Destitution? The case for keeping the Universal Credit lifeline, February 2021

Joseph Rowntree Foundation, JRF Spring Budget 2021 analysis, 4 March 2021

Centre for Policy Studies, The Universal Credit Uplift: The Way Forward, 24 January 2021

Joseph Rowntree Foundation, Spending Review: No plan to protect people in poverty, 26 November 2020

Resolution Foundation, Safe harbour? Six key welfare policy decisions to navigate this winter, 7 October 2020

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