



Historical Rates of Social Security Benefits

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This note sets out the historical rates for the major social security benefits since the introduction of the modern welfare state in 1948.

In the early years of the welfare state, the uprating of benefits was done on an intermittent, almost ad hoc basis, with benefits going for several years without being uprated. Annual uprating commenced in the 1970s, and moved from a November uprating to April in the mid-1980s.

General historical practice has been for the level of benefits to keep pace with inflation – generally using a single month’s inflation figure from the previous year as a benchmark. Prior to 2010, benefits tended to be uprated in April, in line with inflation from the previous September. Since 2010, this policy has been diverged from, with the state pension benefiting from a guarantee (the so-called “triple-lock”) that it will rise in line with the highest of 3 separate measures; while other benefits have been frozen or received limited uprating. From April 2014 the majority of working age benefits will rise by 1% per year, in line with the provisions of the Welfare Benefits Uprating Act 2013

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1 Benefits

1.1 Introduction

In order to maintain their value in real terms, the rates of all state benefits must be increased periodically. In the early years of the modern welfare state, this uprating did not take place regularly, but rather on an ad hoc basis. In the relatively low-inflation environment of the 1950s, this did not cause a major problem but the gradual erosion in the value of benefits meant that irregular uprating became less and less satisfactory.

From the early 1970s, an annual uprating policy came into effect, with the value of benefits being increased on a systematic basis, based on the rate of inflation in the previous year. 1975 saw two upratings, in part due to high inflation; and subsequent years saw the month of increase standardised as September. This was changed to April in the mid-1980s, where it has remained.

Until 2010, it was standard for the majority of benefits to be increased, in April of each year, in line with RPI inflation taken from the previous September. This policy was changed, in line with the Coalition Government's commitment to reducing the overall cost of social security benefits. Initially, the uprating factor was changed from RPI to CPI, which tends to be a lower overall measure of inflation¹. Some benefits, such as child benefit, were frozen in value from 2010, but the majority continued to receive some form of annual uprating. The Welfare Benefits Uprating Act 2013 further limits this uprating for the majority of benefits aimed at working-age people to a maximum of 1% per year for three years, from April 2014. This is in contrast to the relative generosity of the uprating of State Pensions, which since 2010 has been uprated in line with the so-called "triple lock" – the highest of 3 separate measures.

This paper considers the levels of major benefits from their origins to 2012. For discussion around the latest uprating, please refer to Standard Note 06512 – [2013 Benefit Uprating](#).

1.2 State Pension

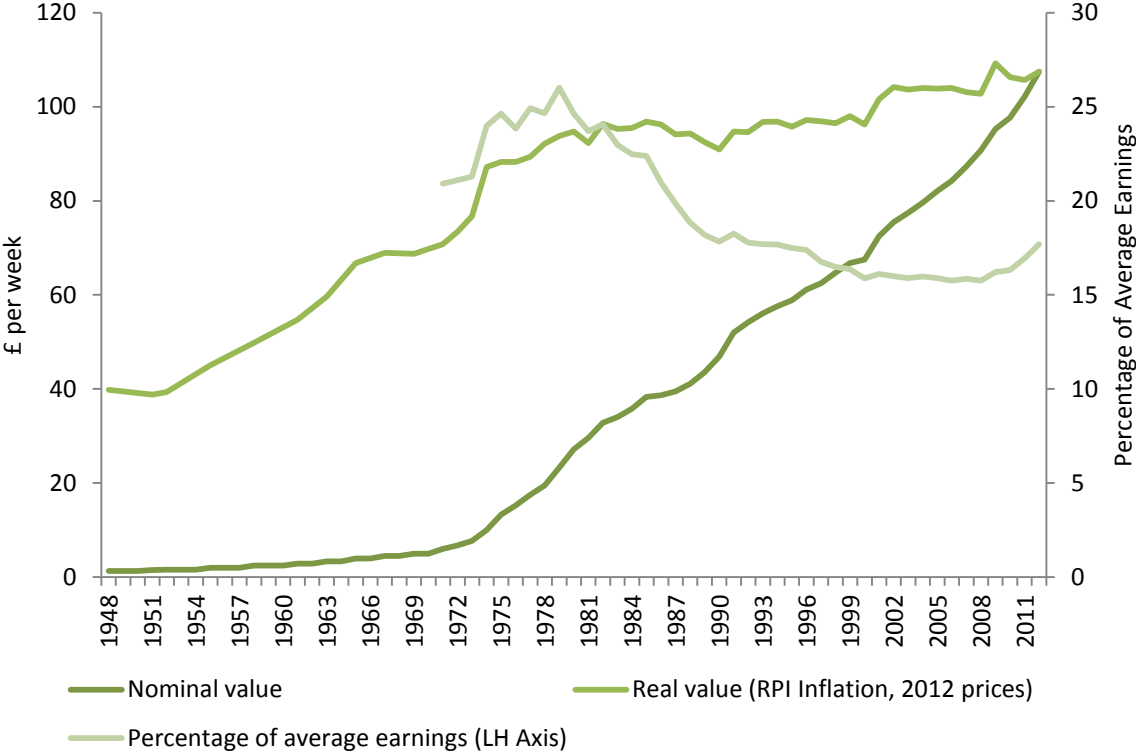
The modern State Pension dates from the post-Beveridge introduction of the modern welfare State in 1948. During the 1970s, the general policy was for uprating of the State Pension to be linked to earnings in the wider economy, rather than just inflation, to ensure that pensioners received a share of any increases in wider prosperity. This earnings link was broken in 1980, and replaced with an inflation link, which kept the value of the pension roughly constant in real terms, but saw the basic pension as a proportion of average earnings fall from 26% in 1979 to just over 15% in the mid-2000s. The inflation linkage was applied strictly and automatically in this period, which led to political controversy over an increase of 75p, seen in some quarters as derisory, in the year 2000.

Since 2010, the Coalition government has guaranteed (the so-called "triple lock") that basic pensions will rise by the highest of 3 measures – average earnings, CPI inflation, or 2.5%. So far under this guarantee, unusually, increases in average earnings have been lower than for price inflation. The pension has as a result been linked to prices (or the 2.5% minimum) and has risen as a proportion of average earnings, although the proportion remains below that seen in the late 1970s. Prior to the triple lock, the state pension was uprated against

¹ For full analysis of this change, please see [Library Standard Note 05830](#)

changes in the RPI alone. RPI increases tend to be larger than those in the CPI which is the basis of the triple lock calculation. As a result the basic state pension is now slightly lower than if the RPI had continued to be used as a benchmark.

Chart 1: Basic state pension 1948-2012

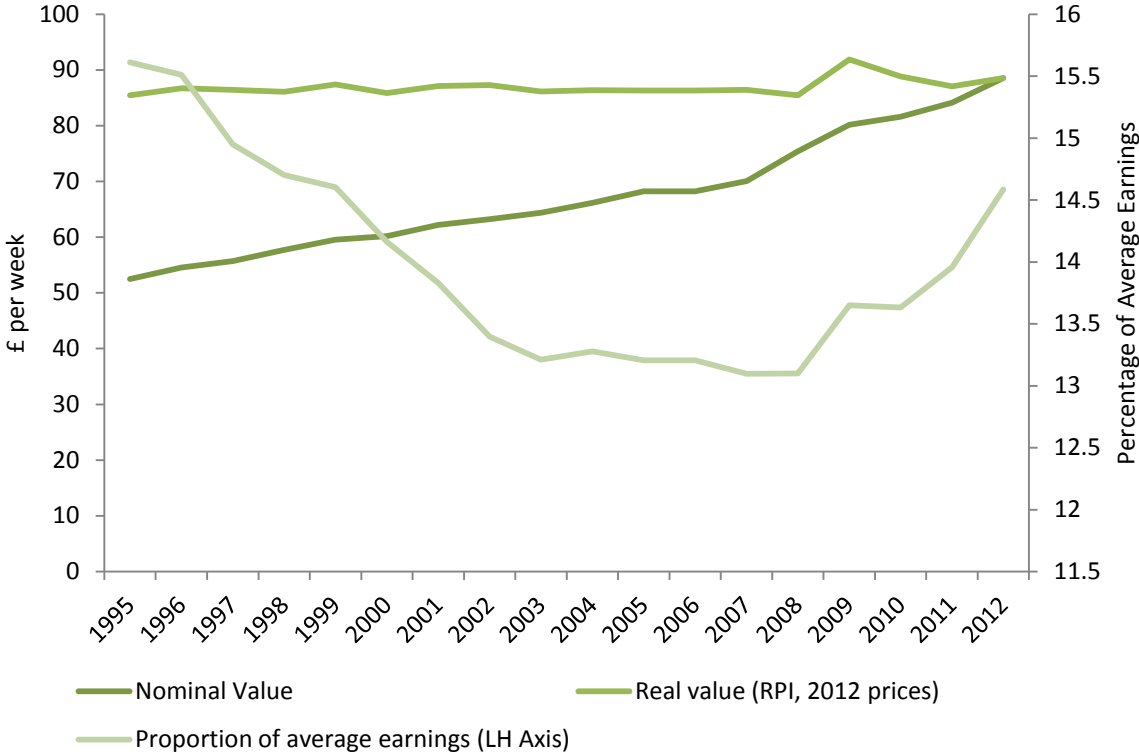


1.3 Incapacity Benefit / Employment and Support Allowance

Incapacity benefit, although closed to new claimants since the introduction of Employment & Support Allowance, continues to be paid to legacy cases where claims have continued uninterrupted since 2008 or earlier. As it was introduced (replacing Sickness Benefit) in the era of annual uprating, its value has remained relatively constant since introduction in 1995. Variations with regard to the proportion of average earnings represented by the benefit are mostly due to the level of earnings changing, rising throughout the late 1990s and early 2000s, before dropping during the recession beginning in 2008.

Incapacity Benefit has various rates and levels depending on a person’s circumstances, and how long their incapacity is expected to last. All rates change in harmony with one another, and increase by the same proportion. The chart below details the situation with regard to a single person on the higher, short-term rate, but the pattern of movements (if not the actual level) would be similar for the other rates available.

Chart 2: Incapacity Benefit 1995 - 2012



Employment & Support Allowance (ESA) was introduced in 2008 for people who would have previously claimed Incapacity Benefit. Its level has remained roughly constant in real terms, at around £70 per week (2012 prices) since introduction.

1.4 Child Benefit

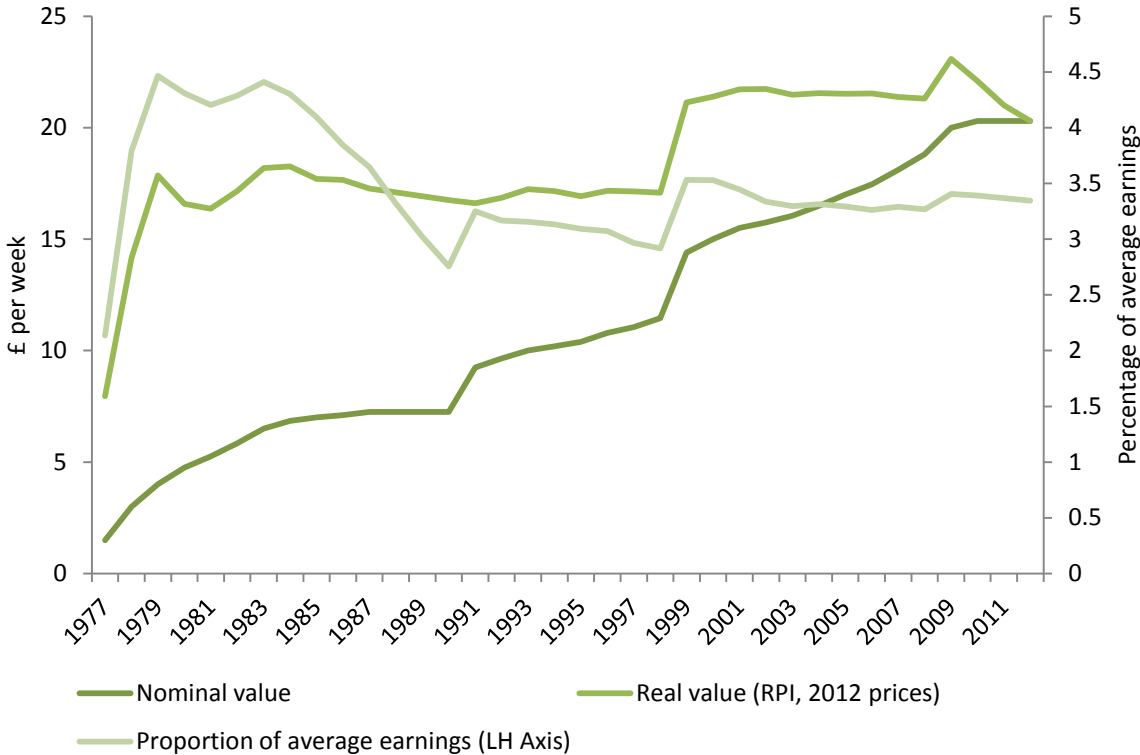
There is no statutory requirement for Child Benefit to be increased but, usual practice from its introduction in 1977 was to link it to the change in the RPI. The June 2010 Budget however announced that Child Benefit would be frozen for three years from April 2011. It therefore stays at £20.30 per week for the eldest/only eligible child and £13.40 per week for other children.. From January 2013, Child Benefit is no longer a universal benefit, but is ‘clawed back’ from families where the highest earner has an income in excess of £50,000.²

As it is not designed as an income replacement benefit, the actual level of child benefit is considerably lower than most other benefits discussed, at around 3% of average earnings. The lack of statutory uprating means that the progression of the benefit is not smooth, with numerous freezes and significant steps where a large uprating is made.

The chart below shows the rate of benefit for a 1-child family.

² For further details see Library Standard Note 6299 [Child Benefit for higher income families](#)

Chart 3: Child Benefit 1977 – 2012



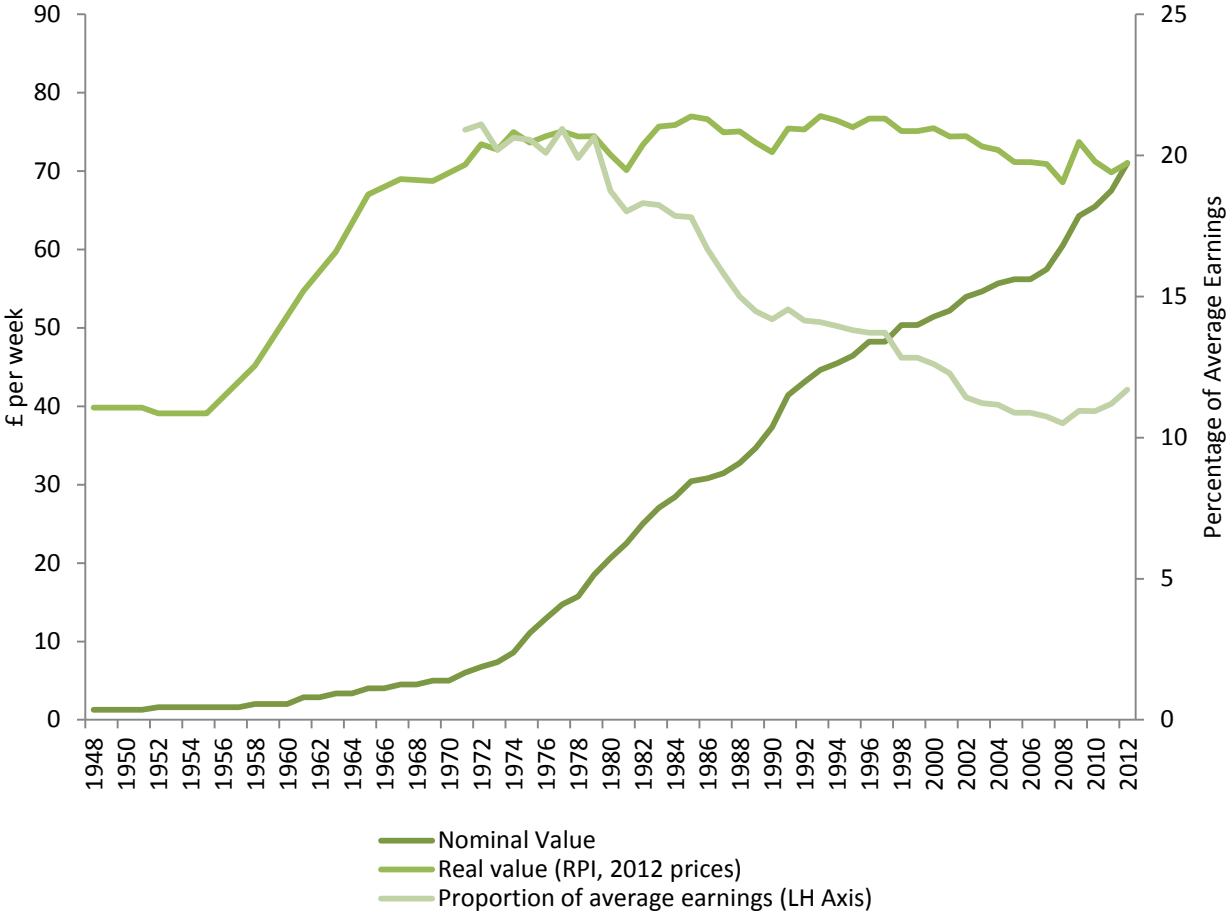
1.5 Unemployment Benefit / Job Seeker’s Allowance

Since 1948, there has been a benefit paid to people who were unemployed and actively seeking work. The title, and detailed eligibility criteria for this benefit have changed over time but, since a rapid increase in the 1960s, the rate of the benefit has remained roughly constant in real terms, while seeing a significant fall as a proportion of average incomes. It is worth noting that, in 1948, Unemployment Benefit and the State Pension were set at the same level, of £1 6s (£1.30) per week. The level of the basic pension is now more than 50% higher than Job Seeker’s Allowance, and this gap will only grow in the foreseeable future, thanks to the differing treatment of the two benefits under the triple lock (Pensions) and the 1% uprating cap (JSA).

Unemployment Benefit / JSA still retains an element based on an individual’s record of National Insurance Contributions. The chart below, and table in Annex 1 shows the level for a person claiming Unemployment Benefit / JSA on account of their own NI contributions – details of the levels available for a person claiming one a spouse’s contribution record, or claiming without a record of NI contributions are available from the DWP’s Annual Abstract of Statistics³.

³ DWP Annual Abstract of Statistics 2012 (published 17 July 2013).

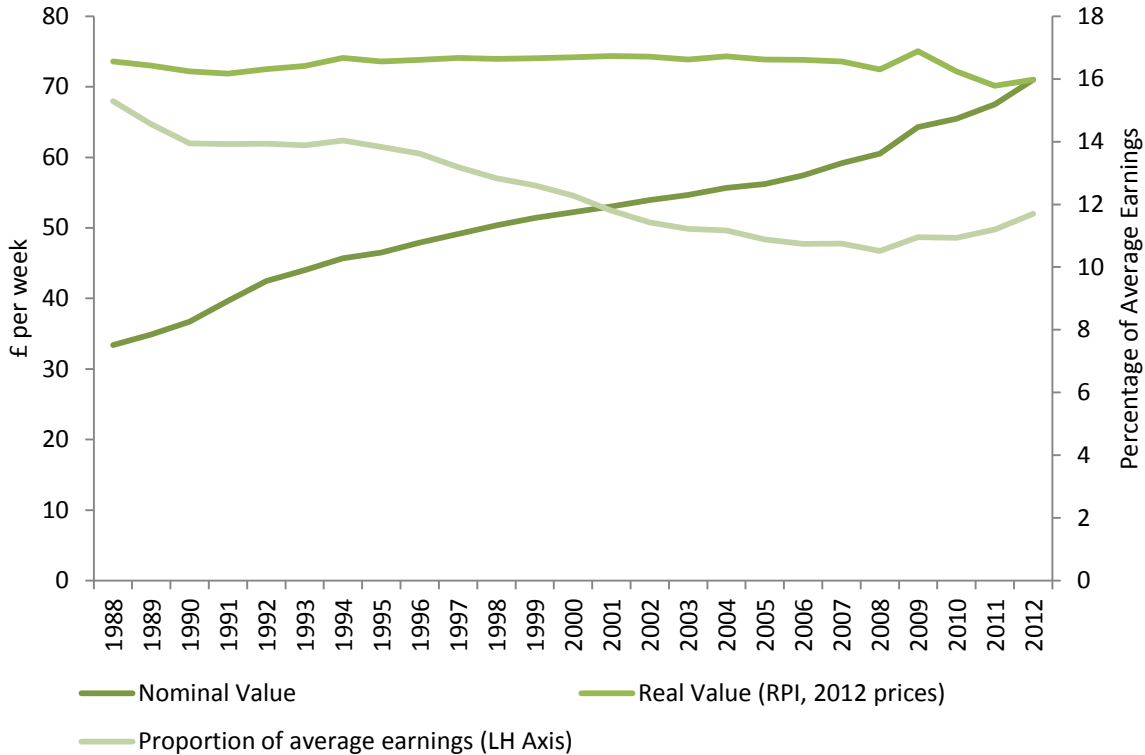
Chart 4: Unemployment Benefit / Job Seeker's Allowance 1948 - 2012



1.6 Income Support

Since its introduction in 1988, Income Support has been the main benefit available to those who are out of work, but not seeking employment (and hence not eligible for Unemployment Benefit/JSA). Its level has remained roughly constant in real terms over time.

Chart 5: Income Support 1988 - 2012



2. Analysis

The requirement for benefits to be uprated in order to maintain their real value over time has given rise to the possibility of adjusting their real levels in response to changing political priorities and social pressures. This is seen clearly in respect of the variation in level between unemployment benefit and state pension, which were introduced at the same time at the same level, but now vary by more than 50%.

For several years, most benefits were uprated automatically by statute, and maintained their level in terms of inflation, while declining slowly against average earnings. The situation since 2008 has altered, with declining real earnings meaning that many benefits have risen as a proportion of average incomes.

This, together with the Coalition Government’s desire to reduce the cost of welfare benefits as part of the overall deficit reduction programme, led to some benefits (Child benefit being an obvious example) being frozen in cash terms (and hence declining in value in real terms). The majority of non-disability benefits are scheduled to rise by 1% in cash terms (below the anticipated rate of inflation) for the next 3 years, under the terms of the Welfare Benefits Up-rating Act 2013. It remains to be seen whether, after the terms of this Act expire, there is a return to the era of benefits roughly keeping place with price increases in the wider economy, or whether benefit rates will continue to decline in real terms.

3. Links / Further Reading

DWP table for all benefits before and after the 2013 uprating ([link](#))

Uprating statement House of Commons Debate 6 December 2012 c1030 ([link](#))

HMRC Rates and Allowances Library, includes *Value added tax, income tax allowances, national insurance contributions, child and working tax credit rates to 2012-13 and other rates*

<http://www.hmrc.gov.uk/rates/index.htm>

HM Treasury Tables confirming tax and tax credit rates and thresholds for 2013-14

<http://cdn.hm->

[treasury.gov.uk/as2012_tax_and_tax_credit_rates_and_thresholds_051212.pdf](http://cdn.hm-treasury.gov.uk/as2012_tax_and_tax_credit_rates_and_thresholds_051212.pdf)

DWP abstract giving details of benefits, rates and sub-rates

<https://www.gov.uk/government/publications/abstract-of-statistics-2012>

DWP Statistics on benefit caseloads and average amount claimed

<http://tabulation-tool.dwp.gov.uk/100pc/tabtool.html>

Annex 1 – Detailed Benefit rates 1948 – 2012

Nominal Value, Real Value and relationship to Average Earning of major welfare benefits; 1948 - 2012

Year	State Pension			Unemployment benefit / JSA			Incapacity benefit		
	Nominal value	Real Terms Value (RPI, 2012 prices)	% of Average Earnings	Nominal value	Real Terms Value (RPI, 2012 prices)	% of Average Earnings	Nominal value	Real Terms Value (RPI, 2012 prices)	% of Average Earnings
1948	1.30	39.81		1.30	39.81				
1949	1.30			1.30					
1950	1.30			1.30					
1951	1.50	38.78		1.30	39.81				
1952	1.63	39.38		1.63	39.09				
1953	1.63			1.63					
1954	1.63			1.63					
1955	2.00	45.06		1.63	39.09				
1956	2.00			1.63					
1957	2.00			1.63					
1958	2.50	49.86		2.00	45.16				
1959	2.50			2.00					
1960	2.50			2.00					
1961	2.88	54.71		2.88	54.71				
1962	2.88			2.88					
1963	3.38	59.60		3.38	59.71				
1964	3.38			3.38					
1965	4.00	66.78		4.00	67.03				
1966	4.00			4.00					
1967	4.50	68.98		4.50	68.98				
1968	4.50			4.50					
1969	5.00	68.73		5.00	68.73				
1970	5.00			5.00					
1971	6.00	70.80	20.91	6.00	70.80	20.91			
1972	6.75	73.41	21.09	6.75	73.41	21.09			
1973	7.75	76.70	21.29	7.35	72.74	20.19			
1974	10.00	87.21	23.98	8.60	75.00	20.62			
1975	13.30	88.24	24.63	11.10	73.64	20.56			
1976	15.30	88.28	23.83	12.90	74.43	20.09			
1977	17.50	89.34	24.93	14.70	75.04	20.94			
1978	19.50	92.12	24.65	15.75	74.41	19.91			
1979	23.30	93.77	26.00	18.50	74.46	20.65			
1980	27.15	94.76	24.64	20.65	72.07	18.74			
1981	29.60	92.27	23.70	22.50	70.14	18.01			
1982	32.85	96.37	24.07	25.00	73.34	18.32			
1983	34.05	95.27	22.96	27.05	75.69	18.24			
1984	35.80	95.45	22.47	28.45	75.86	17.86			
1985	38.30	96.83	22.40	30.45	76.98	17.81			
1986	38.70	96.24	20.95	30.80	76.59	16.68			
1987	39.50	94.09	19.86	31.45	74.92	15.81			
1988	41.15	94.32	18.84	32.75	75.06	15.00			
1989	43.60	92.50	18.19	34.70	73.62	14.48			
1990	46.90	90.91	17.83	37.35	72.40	14.20			
1991	52.00	94.74	18.26	41.40	75.43	14.54			
1992	54.15	94.61	17.78	43.10	75.30	14.15			
1993	56.10	96.76	17.70	44.65	77.01	14.09			
1994	57.60	96.87	17.68	45.45	76.43	13.95			
1995	58.85	95.78	17.50	46.45	75.60	13.81	52.50	85.44	15.61
1996	61.15	97.17	17.39	48.25	76.68	13.72	54.55	86.69	15.51
1997	62.45	96.89	16.76	48.25	76.68	13.72	55.70	86.42	14.95
1998	64.70	96.49	16.48	50.35	75.09	12.83	57.70	86.05	14.70
1999	66.75	97.98	16.37	50.35	75.09	12.83	59.55	87.41	14.60
2000	67.50	96.23	15.88	51.40	75.45	12.60	60.20	85.82	14.16
2001	72.50	101.57	16.12	52.20	74.42	12.28	62.20	87.14	13.83
2002	75.50	104.20	15.99	53.95	74.46	11.43	63.25	87.30	13.40
2003	77.45	103.65	15.90	54.65	73.14	11.22	64.35	86.12	13.21
2004	79.60	103.95	15.98	55.65	72.67	11.17	66.15	86.38	13.28
2005	82.05	103.85	15.89	56.20	71.13	10.88	68.20	86.32	13.21
2006	84.25	103.97	15.75	56.20	71.13	10.88	68.20	86.32	13.21
2007	87.30	103.07	15.86	57.45	70.90	10.74	70.05	86.45	13.10
2008	90.70	102.78	15.76	60.50	68.56	10.51	75.40	85.44	13.10
2009	95.25	109.21	16.22	64.30	73.72	10.95	80.15	91.90	13.65
2010	97.65	106.28	16.31	65.45	71.24	10.93	81.60	88.82	13.63
2011	102.15	105.68	16.94	67.50	69.83	11.20	84.15	87.06	13.96
2012	107.45	107.45	17.70	71.00	71.00	11.69	88.55	88.55	14.59

Source: DWP, Annual abstract of Statistics

Notes:

Rates are those in effect at the end of year shown

State Pension: Basic State Pension for man or woman with own NI contributions

Unemployment Benefit / JSA: Job Seeker's Allowance was introduced in 1994. Values shown are contributory levels for man c

Incapacity Benefit: Rate shown is single person's Short Term Higher Rate

£/week & percentage

Year	Child Benefit - 1st child			Income Support		
	Nominal value	Real Terms	% of	Nominal value	Real Terms	% of
		Value (RPI, 2012 prices)	Average Earnings		Value (RPI, 2012 prices)	Average Earnings
1977	1.50	7.96	2.14			
1978	3.00	14.17	3.79			
1979	4.00	17.86	4.46			
1980	4.75	16.58	4.31			
1981	5.25	16.37	4.20			
1982	5.85	17.16	4.29			
1983	6.50	18.19	4.41			
1984	6.85	18.26	4.30			
1985	7.00	17.70	4.09			
1986	7.10	17.66	3.84			
1987	7.25	17.27	3.65			
1988	7.25	17.10	3.32	33.40	73.58	15.29
1989	7.25	16.93	3.02	34.90	72.99	14.56
1990	7.25	16.76	2.76	36.70	72.18	13.95
1991	9.25	16.60	3.25	39.65	71.87	13.93
1992	9.65	16.86	3.17	42.45	72.52	13.94
1993	10.00	17.25	3.16	44.00	72.95	13.88
1994	10.20	17.15	3.13	45.70	74.07	14.03
1995	10.40	16.93	3.09	46.50	73.57	13.83
1996	10.80	17.16	3.07	47.90	73.81	13.62
1997	11.05	17.14	2.97	49.15	74.06	13.19
1998	11.45	17.08	2.92	50.35	73.94	12.83
1999	14.40	21.14	3.53	51.40	74.03	12.60
2000	15.00	21.38	3.53	52.20	74.16	12.28
2001	15.50	21.71	3.45	53.05	74.37	11.80
2002	15.75	21.74	3.34	53.95	74.28	11.43
2003	16.05	21.48	3.30	54.65	73.88	11.22
2004	16.50	21.55	3.31	55.65	74.32	11.17
2005	17.00	21.52	3.29	56.20	73.86	10.88
2006	17.45	21.53	3.26	57.45	73.82	10.74
2007	18.10	21.37	3.29	59.15	73.60	10.75
2008	18.80	21.30	3.27	60.50	72.43	10.51
2009	20.00	23.08	3.41	64.30	75.04	10.95
2010	20.30	22.09	3.39	65.45	72.19	10.93
2011	20.30	21.00	3.37	67.50	70.14	11.20
2012	20.30	20.30	3.34	71.00	71.00	11.69

Source: DWP, Annual abstract of Statistics

Notes:

Rates are those in effect at the end of year shown

Child Benefit: Rates for first child only shown

Income Support: Rates shown are for single individual over the age of 25

Full details of historical rates for variations not shown are available at

<https://www.gov.uk/government/publications/abstract-of-statistics-2012>