



# **EMIN Context Report United Kingdom**

## **Developments in relation to Minimum Income Schemes**

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## **What is EMIN?**

The European Minimum Income Network (EMIN) is an informal Network of organisations and individuals committed to achieve the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes. The organisations involved include the relevant public authorities, service providers, social partners, academics, policy makers at different levels, NGOs, and fosters the involvement of people who benefit or could benefit from minimum income support.

EMIN is organised at EU and national levels, in all the Member States of the European Union and also in Iceland, Norway, Macedonia (FYROM) and Serbia.

EMIN is coordinated by the European Anti-Poverty Network (EAPN). More information on EMIN can be found at [www.emin-eu.net](http://www.emin-eu.net)

## **What is the Context Report?**

In 2014 individual Country Reports were produced under the EMIN project which outlined the state of development of Minimum Income Schemes in the country concerned. These reports also set out a road map for the progressive realisation of adequate Minimum Income Schemes in that country. These Country Reports can be found on [www.emin-net.eu](http://www.emin-net.eu) (EMIN Publications). This Context Report gives an update on developments in relation to Minimum Income Schemes in the United Kingdom since the publication of the Country Report.

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The information contained in this report does not necessarily reflect the official position of the European Commission.

## **Definitions used in the EMIN Project**

**Minimum Income Schemes** are defined as, income support schemes which provide a safety net for those of working age, whether in or out of work, and who have insufficient means of financial support, and who are not eligible for insurance based social benefits or whose entitlements to these have expired. They are last resort schemes, which are intended to ensure a minimum standard of living for the concerned individuals and their dependents.

**EMIN aims** at the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes.

**Adequacy** is defined as a level of income that is indispensable to live a life in dignity and to fully participate in society. Adequate Minimum Income Schemes are regularly updated to take account of the evolution of the cost of living.

**Accessible** is defined as providing comprehensive coverage for all people who need the schemes for as long as they need the support. Accessible Minimum Income Schemes have clearly defined criteria, they are non-contributory, universal and means-tested. They do not discriminate against any particular group and have straightforward application procedures. They avoid:

- institutional barriers, such as bureaucratic and complex regulations and procedures (and they have the minimum required conditionality)
- implementation barriers, by reaching out to and supporting potential beneficiaries
- personal barriers such as lack of information, shame or loss of privacy.

**Enabling** is defined as schemes that promote people's empowerment and participation in society and facilitate their access to quality services and inclusive labour markets.

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## Section 1: Evolution in laws and regulations regarding national (or regional/local) minimum income schemes

This section indicates changes to the main minimum income scheme in the country since the EMIN1 project ended in 2014, in particular, changes to schemes that were dealt with in the EMIN1 project. In countries where several minimum income schemes coexist, please give priority to minimum income schemes for the working-age population. The **country report** from the EMIN 1 project is available at <https://emin-eu.net/emin-publications/>

### **Note 1: Applicability of EMIN definitions to the UK context**

- *It is possible in the UK to be concurrently in receipt of insurance-based benefits and means-tested benefits*
- *In the EMIN context the sense of universal does not mean available to all (for example universal basic income schemes) as means-testing excludes those whose means make them ineligible for income and asset-tested schemes*
- *Uprating minimum income in line with evolution in the cost of living may not allow for full participation in the longer-term, if the general standard of living rises significantly*

### **Note 2: Overall public spending context for UK minimum income schemes**

*Plans announced by then-Chancellor Osborne in the Autumn Statement of 2014 would cut public spending in five years to 35.2% of GDP, significantly lower than in any comparable European Member State; this would constitute a one-third cut in public spending per head for the decade 2010-2020. Since 2014, there has been no significant change in these planned cuts in public spending<sup>1</sup>.*

### **Note 3: Multi-annual changes in the UK social security system**

*The UK social security system is in a state of permanent revolution, with continual adjustments to the social assistance regime. Changes are being rolled out for new claimants over a period of years from 2015 and some of the biggest cuts are only just in effect this year (2017). There are some positive developments, but the main thrust is to reduce payments and tighten eligibility. The new system is still in the process of implementation. The charity turn2us has produced a timetable of benefits changes from 2015/16 to 2018/19<sup>2</sup>. Some of the key changes are outlined in Appendix 1.*

*Below, Section 1a describes the new system, Universal Credit (UC). Section 1b summarises the overall impact on poverty for the least advantaged. Section 1c describes in more detail the impact of some specific changes.*

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<sup>1</sup> See Chancellor George Osborne's Autumn Statement 2014 speech, accessed at: <https://www.gov.uk/government/speeches/chancellor-george-osbornes-autumn-statement-2014-speech>, plus *Office for Budget Responsibility Press Notice* (2014) Economic and fiscal outlook -December 2014, December 3, accessed at: [http://budgetresponsibility.org.uk/docs/dlm\\_uploads/141203-Dec14-EFO-PN-web521.pdf](http://budgetresponsibility.org.uk/docs/dlm_uploads/141203-Dec14-EFO-PN-web521.pdf). See also commentary from Travers, T (2015) Devolving funding and taxation in the UK: a unique challenge, *National Institute Economic Review*, vol. 233, 1, pp R5-R13., August 4; and Wintour, P and Elliot L. (2014) Osborne moves to cut spending to 1930s levels in dramatic autumn statement, *The Guardian*, December 4, accessed at: <https://www.theguardian.com/uk-news/2014/dec/03/autumn-statement-2014-george-osborne-spending-cuts>

<sup>2</sup> See Turn2us Benefit changes timetable, for 2015, 2016, 2017, 2018, accessed at: [www.turn2us.org.uk/benefit-guides/benefits-changes](http://www.turn2us.org.uk/benefit-guides/benefits-changes)

## **1a: Current situation concerning incomes of last resort including the roll-out of Universal Credit**

### *Governance of the scheme?*

Social Assistance rules and payments are mainly a UK-level competence, except with some derogation to Northern Ireland and Scotland. However, flanking services in health, social care, employment, education and training are variously the competence of the devolved governments and administrations in Scotland, Northern Ireland and Wales.

At UK level, social assistance is the responsibility of the UK Department for Work and Pensions (DWP). Under Universal Credit, payments are made to individuals and households through the BACS transfer system (bank transfer) in real-time. DWP computes how much UC is payable, using monthly information provided by Her Majesty's Revenue and Customs (HMRC).

### *Links with other benefits*

The UK does not have a unified minimum income scheme (income of last resort). There are schemes for various categories of working-age people and for pensioners, but those for people under pension age are in the process of being replaced. Universal Credit (UC) is the payment for working-age adults and their children that is replacing (most of) the former range of minimum incomes categorised by employment status and capacity to undertake paid work now or in future. UC is paid to eligible people on low incomes who are in paid work, as well as to those not in paid work. UC significantly broadens the reach of in-work conditionality.

UC does not replace insurance-based Jobseekers' Allowance (JSA) and Employment and Support Allowance ESA which are not means-tested and are paid for the first six months of unemployment, to people with sufficient national insurance contributions. UK incomes of last resort which are being phased out are those paid to people not eligible, or no longer eligible, for insurance-based benefits. These include Income Support which is paid to people not able to work because of caring responsibilities, e.g. for young children; income-based JSA and Income-related ESA. These two income-linked allowances are paid to i) unemployed people able to work now (JSA for people able and actively seeking work) and ii) unemployed people not able to work (ESA). The ESA group is further divided into a Support group, who because of ill-health or disability, are in general not expected to be able to work in the foreseeable future and a Work-Related Activity Group (WRAG) who are in general expected to be able to work in the near-term future.

Universal Credit also replaces payments for housing support, i.e. Housing Benefit, Working Tax Credit which tops up low in-work incomes, and Child Tax Credit for those on low incomes in or out of work, who have children.

Universal Credit is still being rolled out. It has been delayed several times. The rate of roll-out, job-centre by job-centre, is planned to increase this year (2017) but it is not expected to be operational for all *new* clients until 2019 and for all clients in 2022. UC is now operational for all new claimants who are single adults. It is operational in some areas for couples and in fewer areas for families with no more than two children. A full description of UC and some issues pertaining to it is provided in the UK report for EMIN 1; the ESPN UK Report on minimum income and the ESPN Flash Report on Universal Credit.<sup>3</sup> This EMIN 2 report summarises current UC support and identifies some developments since 2015 and some concerns about implementation.

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<sup>3</sup> Duffy, K. (2015) United Kingdom: Analysis and road map for adequate and accessible minimum income schemes, EMIN accessible at: <https://emin-eu.net/emin-publications/>; Bradshaw, J and Bennett, F (2015) ESPN Thematic report on minimum income schemes: United Kingdom, October, accessed at: [ec.europa.eu/social/keyDocuments.jsp?pager.offset=0&langId=en&mode=advancedSubmit&year=0&country=](http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=0&langId=en&mode=advancedSubmit&year=0&country=)

*Eligibility conditions (lack of sufficient resources, age requirements, residence...)*

### **Eligibility**

UC is a single income support of last resort, paid monthly in arrears. It can be claimed by people who are on a low income or out of work. Entitlement varies with income, partnership and number of children. Eligible clients must be over age 18 and under state pension age. If an applicant is part of a couple, the partner's income and savings are taken into account. Eligible applicants must not be in full-time education, nor have savings above £16,000. UC is tapered (reduced) for savings over £6,000, or where people 'earn enough money to cover basic living costs'<sup>4</sup>. Thus, UC supports people with subsistence needs though there is no benchmark of adequacy. It includes support for housing costs though often insufficient to actual costs. For example, whether or not a household can access what is deemed suitable accommodation for the household type, supported costs are pegged to the bottom 30% of local rental prices for particular types of property. Also, in the former system, money was paid direct to the landlord for many social housing tenants; now, with few exceptions, UC clients must arrange to pay their own rent and service costs. UC includes a contribution to childcare for low-income working parents. This is 85% of costs for 'approved' childcare, up to a maximum amount. The offer has been extended to include those working for under 16 hours per week and the payment is not included in the benefits 'cap'.

There are complex conditions for the 5 million self-employed to be able to access existing minimum income schemes or their Universal Credit replacement. For full-service Universal Credit areas, there is a 'gateway' interview, at which it is necessary to provide considerable documentation to prove that one is gainfully self-employed. If the business is not a start-up (defined as being in business less than one year) then the DWP calculates an assumed minimum income floor to assess eligibility for Universal Credit. The basis of the calculation of assumed minimum income is an assumed number of hours worked per week, based on personal circumstance, multiplied by minimum wage for the age group (only those aged over 25 are eligible for the full National Living Wage), calculated as a monthly amount with a deduction for National Insurance contributions. Those who earn less than the assumed minimum income floor are not given any extra to bring their income up to the floor and those who earn more than the floor have their UC reduced.<sup>5</sup>

With few exceptions, clients apply for UC on-line and it is paid into a bank, building society or credit union account. Where both partners in a couple who live together claim UC, a joint claim is made and a single payment is put into the nominated bank account. In the past, households received distinct benefits reflecting different aspects of their circumstances, often at different times during each month. Women often claimed child tax credit as the nominated 'main carer', and also the childcare element of Working Tax Credit.

Successful applicants must arrange an interview at a local Jobcentre Plus office. If they fail to attend, their claim is not allowed. They must accept a Claimant Commitment which is an agreement to complete certain tasks in return for UC. In a joint claim both partners must agree to their Claimant Commitment for the claim to proceed. Payments are adjusted monthly for changes in circumstances. Payments are stopped if at client fails to keep to the Claimant Commitment. The first payment is not

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0&type=0&advSearchKey=ESPNmis; Bradshaw, J and Bennett, F (2016) Rolling out Universal Credit in a context of austerity: is it going to work? *ESPN Flash Report 2016/20*, June, accessed at: [ec.europa.eu/social](http://ec.europa.eu/social)

<sup>4</sup> See <http://www.gov.uk/universal-credit/eligibility>

<sup>5</sup> See for example, The Money Advice Service, Universal Credit for the self-employed, accessed at: <https://www.moneyadviceservice.org.uk/en/articles/universal-credit-for-the-self-employed>

made until six weeks after the application process is completed and there are seven waiting days before a claim for UC is counted as starting.

### *Levels of payment, uprating*

#### **Levels of payment**

UC is made up of a basic 'standard amount' and extra amounts in specific circumstances. The tables below are drawn from [www.gov.uk/universal-credit/what-youll-get](http://www.gov.uk/universal-credit/what-youll-get)

#### **Standard amounts**

<b>Circumstances</b>	<b>Monthly standard allowance</b>
Single and under 25	£251.27
Single and over 25	£317.82
Couple both under 25	£398.20
Couple one partner over 25	£498.89

#### **Extra amounts for eligible clients**

<b>Circumstance</b>	<b>Extra monthly amount</b>
First child	£277.08 (born before 6 April 2017) £231.67 (born on or after 6 April 2017)
Second child	£231.67 Per child
Help with childcare costs <sup>6</sup>	85% of costs up to £646.35 for one child and £1108.04 for two or more children
Disabled or severely disabled child	£357.78 to £649.38
Disabled or with health condition that prevents applicant working <sup>7</sup>	£318.76
Caring for a disabled person	£151.89

**Larger families:** An applicant can only get help for a third child or further children in the following circumstances: the child was born before 6 April 2017; the applicant was already claiming for more than two children; the applicant was claiming for more than two children but stopped within the last six months; the child was born as a consequence of 'non-consensual conception' (e.g. domestic violence or rape). Families with three or more children will migrate to UC in late 2018.

**Housing costs:** Help with housing costs includes rent, mortgage interest (Support for Mortgage Interest (SMI) is paid as part of the housing element of Universal Credit, but now after 39 rather than 16 weeks), some service charges and interest on a loan secured against the applicant's house. The amount depends on age and circumstances.

**Work Allowance:** UC is withdrawn as earnings rise. For every net £1 earned, UC is reduced by 63p (formerly 65p). In certain circumstances, there is an allowance of earnings before the taper operates, viz., if the applicant has a child or a disability or health condition that affects ability to work. The amount that can be earned before the taper operates is called a 'work allowance'. As indicated, the taper was previously a bit steeper (65%) but Work Allowance applied to more groups formerly than it does under UC regulations.

#### **Work Allowance**

<b>Circumstances</b>	<b>Monthly work allowance</b>
Applicant has help with housing costs	£192
Applicant does not get help with housing costs	£397

<sup>6</sup> See [www.gov.uk/help-with-childcare-costs](http://www.gov.uk/help-with-childcare-costs)

<sup>7</sup> See [www.gov.uk/universal-credit-eligibility](http://www.gov.uk/universal-credit-eligibility)



*Conditionality of the benefits (willingness to work, other conditions related to personal attitude of recipients...)*

UC decisions can be challenged at the point of initial claim, amount of award and 'sanction'. Claimants must request a 'mandatory reconsideration' within one month of the decision. They receive a letter saying whether the decision has been changed. If they do not agree, in some circumstances they can appeal to the Social Security and Child Support Tribunal.

People deemed to have breached their Claimant Commitment are 'sanctioned', i.e. their benefit is stopped or reduced, by 60%. There is a right to ask for the decision to be looked at again, and to ask for a 'hardship' payment (a loan). People are eligible for hardship payments if they cannot pay for rent, heating, food or hygiene needs for themselves/their household. The loan is repaid through reduced UC payments. There is no benchmark of adequacy. Clients are advised to seek budgeting advice either at a Jobcentre Plus office or from one of the welfare advice organisations such as Citizen's Advice, Money Advice Service and Money Advice Trust, or the Money Charity. Sanctions data for UC are not likely to be available until late 2017; but sanctions under UC are longer and 'hardship' payments are repayable. There is also a 7-day period in which hardship claimants must show 'compliance' before payment is made.<sup>8</sup>

UC claimants can get an Advance Payment if they have applied for UC but have not yet received a payment. Though not part of basic UC as such, it is also possible to get a loan to pay for emergency household costs; this is known as a Budgeting Advance, which is paid back by deductions from UC<sup>9</sup>. Eligibility conditions are the same as for an Advance Payment. Examples of reasons for a Budgeting Advance are to buy a cooker or to help with job-search or staying in work. The minimum advance is £100 and the maximum for single people is £348. For couples, the maximum is £464 and for those with children £812. The possibility of a loan, or its amount, depends on whether the applicant is deemed able to pay it back, or has savings of £1000 or more. Eligibility also depends on being in receipt of UC or one of the benefits it replaces for at least six months, unless it is to help with getting or staying in work. Earnings in the past six months must be below £2,600 for single people and £3,600 for couples. Applicants must also have paid off any previous Budgeting Advance.

*Evolution with regards to the **linkage** between minimum income schemes, (inclusive) **labour markets** and (quality) **services**?*

There is no fully integrated approach to adequate minimum incomes (indeed there is no benchmark of adequacy), access to inclusive labour markets and access to quality services in the UK. The link to the labour market has increasingly tightened through tougher conditionality on access to working-age benefits. UC extends the reach of conditionality in work and the DWP can demand that a household provide more hours of work, or more hours by a second earner, in return for access to UC, until they reach a certain earnings threshold (calculated in relation to conditionality and the National Living/Minimum Wage). There have been recent increases in childcare support for UC claimants, although childcare provision is not sufficiently expanded or of good enough quality overall to supply the government's offer to households. But access to other support services for job-search, training, personalized support and healthcare is reduced after seven years of 'austerity' cuts to national public services and local services. 70% of participants in the previous Work Programme did not find

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<sup>8</sup> Webster, D. (2017) Briefing, Benefit sanction statistics: JSA, ESA and Universal Credit, University of Glasgow, February, accessed at: <https://suwn.files.wordpress.com/2017/03/17-02-sanctions-stats-briefing-d-webster-22-feb-17.pdf>

<sup>9</sup> Citizens Advice (2017) Budgeting Advances - get a loan if you're on Universal Credit, accessed at: <https://www.citizensadvice.org.uk/benefits/universal-credit/on-universal-credit/budgeting-advance/>

sustained employment and the Parliamentary Work and Pensions Committee called for a programme that focused on people with complex needs and provision of local integrated support. The Committee also called for a separate programme to address the specific needs of people with a disability, to meet the government's aspiration of halving the employment gap between disabled and non-disabled people. In 2017 the Work Programme and Work Choice are being replaced by a single Work and Health Programme, with fewer places and a reduced cost per head.<sup>10</sup>

*Evolution with regard to **adequacy** of minimum income?  
Evolution in terms of **coverage** or **take-up** of benefits?*

Section 2 of this Report discusses adequacy of minimum incomes in relation to the work funded by the Joseph Rowntree Foundation on Minimum Income Standard (MIS), produced by the Centre for Research in Social Policy (CRSP) at Loughborough University. This is an approach based on what people need to spend for an acceptable living standard. In summary, no benefits for people of working age meet the MIS, and the gap is increasing. Here, Section 1b presents evidence of the impact of tax and benefit changes for those on minimum incomes relative to other groups. Section 1c comments on issues of adequacy and coverage of the main new minimum income scheme (UC) and some of the specific policy changes. It is too early to assess take-up of UC.

### ***1b Overall effect of tax and benefit changes on household incomes for the poorest people dependent on working-age minimum income schemes***

According to Hood and Waters of the Institute for Fiscal Studies ((IFS) 2017, April)<sup>11</sup>, since 2010, lower-income households have lost out due to benefit cuts and the richest households have lost out from increases in income tax. Those in the middle and pensioners have had their incomes protected until now. Increases to the income tax personal allowance and the higher-rate tax threshold cost the government £5bn per year. Basic-rate taxpayers have gained £160 per year and higher-rate taxpayers £380 per year; for the latter, this reverses the cut in the higher rate threshold in the last Parliament. Those who have been taken out of income tax by previous increases, or who pay no income tax, get no increase in income.

Three of the biggest losses for low-income groups, mainly those on minimum incomes (including top-ups to low paid work incomes), are due to: the *benefits freeze*, which even at present inflation rates will reduce government spending by £3bn per year; *cuts to child and family tax credits*, which will reduce spending by £5bn per year and the *roll-out of less generous UC*, which will also reduce government spending by £5bn per year (Hood and Waters 2017, p4). If all the planned cuts were already in place, three million working households with children would be on average £2,500 per year worse off. One million families with children and nobody in paid work would be £3000 per year worse off on average. The four million households with children earning *above* the eligibility income for tax credits will be just £100 worse off. To date, the impact of benefits cuts since May 2015 has been relatively small; the scale of cuts will rise over time, as benefits changes apply to new claimants. The biggest percentage income losses are for each of the bottom three deciles.

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<sup>10</sup> Commons Select Committee (Work and Pensions Committee) (2015) Government must focus support on people with complex needs, October 21, accessed at: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2015/welfare-to-work-report-published-15-16/>

<sup>11</sup> Hood, A. and Waters, T. (2017) *The impact of tax and benefit reforms on household income: IFS Briefing Note BN196*, IFS, April, accessed at: <https://www.ifs.org.uk/uploads/publications/bns/BN196.pdf>

## *Relative and absolute poverty*

Relative poverty at the 60% median household disposable income threshold is expected to rise from 21.3% in 2014-15 to 23.6% in 2021-22. Two-thirds of the increase in relative poverty is explained by faster earnings growth for middle-income households, and one-third is due to benefit cuts (Hood and Waters March 2017 p3).

Absolute poverty is expected to fall overall by half of one per cent (from 20.3% to 19.8%); but *absolute child poverty after housing costs (AHC) is expected to rise from 27.5% to 30.3%*, entirely due to the impact of tax and benefits changes. One-third of the increase is due to the cuts in work allowances in UC (the amount a claimant can earn before benefits start to be withdrawn).

The IFS expects Brexit to reduce GDP growth and tax receipts, creating more risk of low earnings growth, higher unemployment and further cuts to welfare benefits and services.

### **1c Commentary on evidence of the adequacy, coverage and take-up of some specific welfare reforms and cuts**

#### **Administration of Universal Credit (UC)**

People in receipt of six main social assistance benefits and tax credits are being migrated on to UC, which rolls up these six payments into one. 'Transitional protection' is an extra amount of income that tops up benefits payments so claimants are not worse off after migrating to UC. No claimants are in receipt of Transitional Protection yet. Currently, there is no 'transitional protection' of incomes for those whose circumstances change and who become new claimants for purposes of UC (these are referred to as 'natural migrants' to UC). When the UC digitised service is fully rolled out in all areas, thus not before July 2019, there will be 'transitional protection' for people who are moved off their existing benefits onto UC, but have not had any 'natural' change in the circumstances that are relevant for benefits' calculation. This group is referred to as 'managed migrants'<sup>12</sup>.

In UC, incentives to work, and/or to work more, are worsened for many second earners. There is concern also about rent arrears and people at risk of homelessness who have migrated on to Universal Credit, due to lengthy delays in payment and payment direct to the landlord having been terminated. Prior to the change, social housing providers could take rent directly from people's benefits. More than 90% of rents due were collected. The results of a pilot study suggest an initial dramatic rise in arrears, which later falls strongly. The DWP considers removing direct payments when tenants fall into arrears and also recommends landlords take mitigating actions<sup>13</sup>.

Child Poverty Action Group (CPAG) in Scotland's Early Warning System<sup>14</sup> provided evidence of financial hardship from the roll-out of UC. According to CPAG in Scotland, the Early Warning System was developed 'to collect and analyse case evidence about how social security changes are affecting the wellbeing of children, their families and the communities and services that support them. To date over 3,000 case studies have been gathered from frontline workers, including welfare rights advisers,

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<sup>12</sup> Turn2us (updated April 2017) Universal Credit (UC) transitional protection. What is Universal Credit (UC) transitional protection? Accessed at: <https://www.turn2us.org.uk/Benefit-guides/Universal-Credit-transitional-protection/What-is-Universal-Credit-transitional-protection>

<sup>13</sup> Weston, R (2014) Social Housing landlords fear arrears rise, *Landlord News*, December 14, accessed at: <https://landlordnews.co.uk/social-housing-landlords-fear-arrears-rise/>

<sup>14</sup> CPAG in Scotland (2017) *Universal Credit Full Service roll-out: what the Early Warning System cases are telling us*, CPAG in Scotland, May, accessed at: [http://www.cpag.org.uk/sites/default/files/CPAG\\_EWS\\_UC%20full%20service%20May%202017.pdf](http://www.cpag.org.uk/sites/default/files/CPAG_EWS_UC%20full%20service%20May%202017.pdf)

housing officers and support workers' (CPAG in Scotland 2017, p1). Some of the cases listed are harrowing. The summary list of issues below is taken from CPAG (ibid).

Administrative problems and problems with new rules and policies experienced by claimants include:

- UC being underpaid because 'real time information' provided by HMRC regarding income is not always reliable or accurate
- Claimants being paid the wrong amount of UC for no apparent reason. This appears most common in relation to housing costs and has resulted in some claimants facing eviction
- Difficulty claiming contributory benefits that should be available alongside UC
- claimants experiencing financial difficulties due to the six weeks' wait for the first payment
- DWP's policy of only working with a client's adviser where there is evidence of unequivocal consent from the claimant
- Homeless claimants being left unable to fully meet their temporary accommodation costs because the maximum housing costs they can receive through UC have been capped at the amount they would be entitled to if they were to rent private sector accommodation
- claimants facing hardship due to the rate of deductions that are applied in relation to rent arrears and other debts
- Increased conditionality and sanctioning rules causing claimants stress, anxiety and undue hardship, particularly where individual characteristics and circumstances are not fully considered.

The Parliamentary Work and Pensions Committee called for evidence on Universal Credit in February 2017. Written evidence from CPAG<sup>15</sup> to the Work and Pensions Committee Inquiry stressed that some of the roll-out problems were in-built in UC, including waiting days. Others were issues of implementation, including high levels of confusion and error, incorrect decisions and wrong denial of certain elements of UC.

In their evidence, the Trussell Trust<sup>16</sup>, the UK's largest food-bank provider, referred to the important impact of UC as a driver of food-bank use, especially for people in insecure and seasonal work. Key issues are the seven waiting days in UC followed by the month-plus waiting time between claim and assessment before first payment. Digitisation was adding to problems, especially for people 'struggling with computers or unable to afford telephone helplines' (p2). As UC is a single payment, paid in arrears, time delays put many applicants at risk of severe financial problems. According to the Trussell Trust, 42% of clients referred to them had benefits issues as the primary cause of referral: 27.95% had experienced benefits delays and 13.50% had suffered benefits changes. In addition, one in four Trussell Trust foodbanks said that UC affected mental health; two in five said that it was linked to increasing debt; one in five said that it causes issues with work and with housing (Jitendra et al 2017 pps 8-10). Foodbanks in full UC rollout areas have seen a 16.85% increase in demand compared to a national average of 6.64% (Jitendra et al p11).

The Parliamentary Work and Pensions Committee's review was curtailed by the calling of the General Election of June 8, 2017. Nevertheless, the Chair of the Committee, Rt Hon. Frank Field MP,<sup>17</sup> was

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<sup>15</sup> CPAG (2017) *Work and Pensions Inquiry into Universal Credit: written evidence from CPAG*, CPAG, March, accessed at: <http://www.cpag.org.uk/sites/default/files/CPAG%20submission-%20Work%20and%20Pensions%20Committee%20Inquiry%20on%20UC.pdf>

<sup>16</sup> Jitendra, A. Thorogood, E. and Hadfield-Spoor, M (2017) Early warnings, Universal Credit and foodbanks, The Trussell Trust, accessed at: <https://www.trusselltrust.org/wp-content/uploads/sites/2/2017/04/Early-Warnings-Universal-Credit-and-Foodbanks.pdf>

<sup>17</sup> See <http://www.parliament.uk/documents/commons-committees/work-and-pensions/Correspondence/Rt-Hon-Damian-Green-MP-26-4-17.pdf>

sufficiently concerned to write in late April to the Secretary of State for Work and Pensions, then Rt Hon. Damien Green MP, concerning waiting days, payment monthly in arrears, rent arrears, poor communications and the effect of the interaction between UC and temporary accommodation, which is leading to unpaid debts to local authorities for emergency accommodation.

### **Freeze on benefits and overall impact of tax and benefits changes announced in 2015**

The freeze on working-age benefits for four years is amongst the biggest changes to minimum incomes, especially over the longer term. According to Browne<sup>18</sup> (IFS November 2015) and Hood and Waters (IFS March 2017), the total impact of tax and benefit reforms from 2015 to 2020 cuts real incomes for all families on benefits, or in work with one earner. Brown's 2015 forecast of the total impact of tax and benefit changes announced in Summer Budget 2015, showed by 2020, a loss of income for the poorest two deciles of 6-8% and for the third decile, 5%. On average, couples with children and no earner lose about 16% of their net income by 2020; lone parents who are not in paid work lose 15% of their net incomes. Couples in paid work with one earner, with children, lose about 5% and single parents in work lose about 8%. Single adults with no work lose 9%; single adults in work lose less than 1% in real terms (Browne, 2015 p19). These changes do not include the impact of the National Living Wage (NLW) for those aged over 25. In fact, the biggest cash impact of this is in the middle three deciles of the income distribution, but the biggest percentage impact is in the third decile. For the bottom two deciles, the NLW offsets only 6% of the losses from tax and benefit changes; for the third decile it offsets 14% and for the fourth decile 21%. (Browne, 2015 p 12). Changes to benefits announced after 2015 will increase income losses.

The impact of the benefits freeze has been exacerbated by price inflation following the Brexit vote, when the value of sterling dropped substantially. Consumer price inflation (CPI) in June 2017 reached 2.9%. This is projected to cost benefits' recipients £3.6bn a year by 2021<sup>19</sup>. The Office for National Statistics<sup>20</sup> and the Resolution Foundation<sup>21</sup> have shown that all incomes below the median (more than the bottom 40% of the income distribution) will decline in real terms, with those of the poorest people falling most, by nearly 16% between 2016 and 2020-21. Figure 27 of Clarke et al 2017<sup>22</sup> for the Resolution Foundation shows the increased impact of income losses from benefits changes for various household types, due to adjusting upwards the CPI rate of inflation in 2017.

### **The two-child restriction on eligibility for child tax credits - and for its replacement in UC, when rolled out to large families**

A reduction in adequacy that has especially angered NGOs supporting women and children is that for new claimants, the third child and subsequent children in families are not eligible for the child element of tax credits to top up low incomes of families in work. If people fall out of work and then get another job, they count as new claimants. There are some exceptions to the third child policy. These include twins and children born as a result 'unconscensual conception'. There is now some DWP documentation on how this policy will be implemented by officers and some statements about

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<sup>18</sup> Browne, J (2015) The impact of proposed tax, benefit and minimum wage reforms on household incomes and work incentives, *IFS Report R111*, accessed at: <https://www.ifs.org.uk/uploads/publications/comms/R111.pdf>

<sup>19</sup> BBC (2017) UK inflation rate at near four-year high, BBC News, June 13, accessed at: <http://www.bbc.com/news/business-40259392>

<sup>20</sup> See Office for National Statistics (GB), accessed at: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2017>

<sup>21</sup> See <http://www.resolutionfoundation.org/app/uploads/2017/03/Spring-Budget-2017-response.pdf>

<sup>22</sup> Clarke, S., Corlett, A., Finch, D., Gardiner, L., Henehan, K., Tomlinson, D. and M. Whittaker, (2015) *Are we nearly there yet? Spring Budget 2017 and the 15-year squeeze on family and public finances*, IFS, March, accessed at:

<http://www.resolutionfoundation.org/publications/are-we-nearly-there-yet-spring-budget-2017-and-the-15-year-squeeze-on-family-and-public-finances>

training. There is no reflection on the likely impact on a third child, of any feelings that they are less worthy of public support than their older siblings. 600,000 three-child families will be an average £2,500 per year worse off in the long run. 300,000 four-child families will be £7,000 worse off. Some ethnic minority groups are likely to be worse affected than the general population of large families.

Policy in Practice<sup>23</sup> published their estimates of the financial impact of the policy in April 2017. The policy will save £1bn per year by 2020 but the behavioural impact of the policy is unclear. Their key findings (2017 p3) were:

- Over 1 million children will be hit by this policy by the end of this parliament
- 2.1m families are at risk of being affected by this policy change should they have another child; 70% of these families are in work
- 104,000 third or additional children will be born to this cohort of households in the next twelve months
- 8,000 children born this April will miss out on support of up to £2,780 a year
- Based on the average cost of raising a child, low-income families that have a third child will have to make up a difference of up to £1,737 a year

This means that because of this policy:

- Over a quarter of a million children (256,000) already in poverty today will fall deeper into poverty
- 266,000 additional children will be living in poverty by the end of this parliamentary term
- This represents an increase in child poverty of more than 10%
- 609,000 children in other ordinary working families (low-to-middle-income households) will be pushed closer to the poverty line.

### **Cuts to Employment and Support Allowance for people with a disability/health condition**

Along with working-age families, especially women and children, people with health conditions and disabilities have suffered most from welfare benefits cuts. Gregg and Finch<sup>24</sup> state that 22% of working-age adults living in a household with a person with a disability live in poverty. This is compared to 12% of people in poverty in households in which no-one has a disability. Although proportionately more disabled people are in work than in the 1990s, being without work remains a key issue and people with a disability or health-related condition tend to be out of work longer, most commonly for 2-5 years. Nevertheless, the adequacy of income for disabled people who may be able to do paid work in future has been significantly reduced.

Prior to April 1, 2017, those not in paid work were divided into the unemployed actively seeking work currently and those not able to work, the ESA group, who had a higher benefit to reflect the longer-term nature of their condition. This group was itself subdivided into those not able to work in the foreseeable future (the 'Support' group who are paid £109.65 per week) and those who cannot work now but are likely to be able to work in future, the Work-Related Activity (WRAG) group, who faced some conditionality around work activity. Currently there are 1,548,000 people in the ESA 'Support'

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<sup>23</sup> Ghelani, D. and Tonutti, G. (2017) The Impact of the two-child limit to tax credits: a briefing paper by Policy in Practice, Policy in Practice, April, accessed at: [http://policyinpractice.co.uk/wp-content/uploads/2017/04/Limiting-Child-Tax-Credits-to-Two-Children\\_PIP\\_Briefing-Paper\\_April2017.pdf](http://policyinpractice.co.uk/wp-content/uploads/2017/04/Limiting-Child-Tax-Credits-to-Two-Children_PIP_Briefing-Paper_April2017.pdf)

<sup>24</sup> Gregg, P and Finch, D (2016) Employing new tactics: The changing distribution of work across British households, Resolution Foundation, January, accessed at: <http://www.resolutionfoundation.org/app/uploads/2016/01/Employing-new-tactics.pdf>

group and 429,000 in the ESA WRAG. There are also 326,000 in the Assessment phase, i.e., awaiting their Work Capability Assessment before being allocated to any group.<sup>25</sup>

Under the previous welfare reform of 2012, the length of time the WRAG group could claim a higher rate of allowance than unemployment benefit (the Work-Related Activity Component of the allowance, or WRAC) was 12 months. Under the 2016 Act, in force April 2017, the WRAC element for this group is eliminated and their benefit cut to the same amount as those currently able to work and seeking work: a flat rate of £73.10 per week for those aged over 25. When income-related ESA is replaced by UC, the equivalent element for UC is also abolished. The government believes that the previous policy (the additional WRAC payment) was a disincentive for those able to work in future to take active steps to seek work. Some NGOs believe the policy change is a clear disincentive to seek work, in case it is not sustainable and the person in the WRAG group of ESA becomes a new claimant and therefore loses the WRAC element of their allowance, a loss of £1,500 per annum. The government has now provided additional funding to help people with a disability or health-related condition into work but disability charities would also like to see a thorough revision of the Work Capability Assessment.

## **Section 2: Use of reference budgets in relation to Minimum Income and/or poverty measures**

Reference budgets or budget standards are priced baskets of goods and services that represent a given living standard in a country.

In this section you will find information in relation to the recent evolution of the construction and use of reference budgets in the United Kingdom. Information is also given on the usefulness of these reference budgets for policy making or for awareness raising campaigns.

For further information on Reference Budgets see: Storms, B., Goedemé, T., Van den Bosch, K., Penne, T., Schuerman, N., and Stockman, S., *Review of current state of play on reference budget practices at national, regional and local level, pilot project for the development of a common methodology on reference budgets in Europe*, Brussels, European Commission, 2014 <http://ec.europa.eu/social/BlobServlet?docId=12544&langId=en>

### **Use of Reference Budgets in relation to minimum income and poverty measures**

The UK government provides guaranteed minimum incomes for various working-age groups plus old-age pensioners, but these have no evidence base or commitment to meet acceptable minimum needs. There is no explicit or legal minimum income standard.

Following Bradshaw (1993), Storms et al (2014) define Reference Budgets (or 'budget standards') as 'priced baskets of goods and services that represent a given living standard'.<sup>26</sup> Goedemé et al (2017)

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<sup>25</sup> Kennedy, S Murphy, C Keen R and Bate A (2017) Abolition of the ESA Work-Related Activity Component, Briefing Paper CBP 7649, House of Commons Library, March 7, accessed at <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7649>:

<sup>26</sup> Storms, B., Goedemé, T., Van den Bosch, K., Penne, T., Schuerman, N., and Stockman, S., (2014) *Review of current state of play on reference budget practices at national, regional and local level, pilot project for the development of a common methodology on reference budgets in Europe*, Brussels, European Commission, <http://ec.europa.eu/social/BlobServlet?docId=12544&langId=en>

state that Reference Budgets (RBs) can be used to set minimum income levels, to 'benchmark' the adequacy of minimum incomes or wages to a particular standard, and to 'contextualise' the 'at-risk-of poverty' income thresholds.<sup>27</sup> Income and expenditure indicators provide complementary information about household living standards; Goedemé et al state that at EU level, they cannot and should not replace existing indicators of poverty and social exclusion, partly because they are still in development and partly because better and more timely data are required, especially for those RBs that are more data-heavy in their approach to the target living standard (Goedemé et al 2017, p21).

The UK is one of the 23 Member States that have developed Reference Budgets that are still in use. The current UK RB is the Minimum Income Standard (MIS), developed for the Joseph Rowntree Foundation by the Centre for Research in Social Policy (CRSP) at Loughborough University<sup>28</sup>. It was launched in 2008 and builds on earlier methodologies developed in the 1990s at the Family Budget Unit at York University.

As with about half of Reference Budgets (RBs) in the EU, the MIS targets a living standard that is a 'minimum living standard for full participation' (Storms et al 2014 p8). RBs targeting a more limited or subsistence standard are most often found in the EU13 new Member States<sup>29</sup>. Like most RBs, the MIS uses country-level data, but has also produced specific RBs for some rural areas, for London and for specific groups such as people with sight impairment. Like most RBs, the MIS builds model households of various types and makes specific assumptions that people are healthy and autonomous decision-makers (other households might face higher costs).

*What actors were involved in the construction? Were people experiencing poverty part of the process? Have focus groups been used?*

The core focus of the UK MIS launched in 2008 is public acceptability of the appropriateness of the living standards defined by the research, as indicative of a minimum standard for basic needs and capacity to participate in society. This is achieved using focus groups of people representative of each of the model household types. This means groups are not defined by their incomes but by being a demographic type, for example, members of a single parent household, or a household composed of a couple with children one of whom is a paid worker, etc. Rounds of discussion are organised for model household groups to approach agreement on what are the necessary goods and services required by the household type, and to exclude things that are nice to have but not needed. Focus groups (22 groups for the 2016 update) are assisted with expert input on nutrition and healthy eating, home energy and motoring costs. Experts and researchers price the agreed lists of goods and services and construct them as weekly budgets for the household types. Budgets are prepared before and after housing costs and childcare. Ireland, Austria, France and Portugal have since taken up similar approaches (Storms et al 2014 p17). Important features of some RBs, including the UK MIS, are that they take into account employment status and housing tenure in the range of model household types. The UK MIS for model household types also prices individual items of goods and services rather than using an aggregate price index.

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<sup>27</sup> Goedemé, T. et al (2017) What does it mean to live on the poverty threshold? Lessons from Reference Budgets, Working Paper no. 17.07, April 2017, Herman Deleeck Centre for Social Policy, University of Antwerp, Antwerp, April, accessed at:

<http://www.centrumvoorsociaalbeleid.be/index.php?q=publicaties/workingpapers/en>

<sup>28</sup> See [www.lboro.ac.uk/research/crsp](http://www.lboro.ac.uk/research/crsp)

<sup>29</sup> Since 2004 there have been 13 new countries added to the European Union - Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.



*Recent initiatives to develop reference budgets or to adapt existing reference budgets?*

### **UK MIS for 2016**

One-third of families live below the MIS. CRSP updates the MIS every year for inflation and rebases (i.e. renews on the basis of research) the basket of goods and services every four years, most recently in 2016<sup>30</sup>. In 2016, single people needed to earn £17,100 per year before tax to achieve the MIS. Partners in couples with two children needed to earn £18,900 each.

Parents made few changes to the necessary basket in 2016, compared to 2012 and 2008. They made more efforts to control food costs and accepted more restrictions on housing standards (for large families). But they increased their transport budget and after-school activities budget, and widened the choice of childcare options to include nursery as well as childminder. Therefore, despite a tightening of food, utilities and social participation costs, the net effect was an increased MIS cost for families with children who require childcare. Regarding transport, this seemed to be connected to distances needed to travel to and for work. For accommodation standards, CRSP stated that parents were influenced by the 'bedroom tax' which penalises families' benefits if they are deemed to have 'spare' bedrooms. It may be the case also that the after-school activities budget increased because many more schools are making increasing demands for more parental contributions to educational activities – increasingly even core activities.

Actual incomes were 39% below the MIS for couples with two children in receipt of out-of-work benefits. If they worked full-time on the National Living Wage (NLW, the legal minimum wage for employees aged over 25) the family was 12% below MIS after childcare costs. In the same situation, a lone parent with one child is 44% short of MIS and 18% short after childcare costs. Where Universal Credit (UC) has been introduced, support for childcare costs rises from 70% to 85% and households get closer to meeting the MIS. If childcare were to be 100% supported, couple families would reach the MIS and lone parent families would get within 10% of it (Davis et al 2017 p2).

Overall, for families, the increased NLW and increased childcare support in UC (where it has been introduced for new clients) have not compensated for cuts to benefits and increased prices and so families have fallen further below the MIS. The risk of being below the MIS in the next years is worsening. This is due to: i) rising inflation (partly because of a fall in the value of sterling and therefore rise in import prices due to Brexit); ii) further Brexit-fuelled inflation and a lower growth trajectory (therefore increased risk to jobs) and iii) the further roll-out of welfare benefits cuts already announced in 2015, 2016 and in the Spring 2017 Budget. Continuing cuts to public services and subsidised services also put pressure on households to pay for private alternatives, from health to transport, to ancillary school costs, to leisure.

*For what purposes are they developed or used? By whom?*

### **Impact of MIS**

JRF is the biggest non-government funder of social research in the UK and its output is well-respected. It makes submissions to government committees and on the poverty impact of the national Budgets. It produces a wide range of reports on housing and poverty-related topics.

The UK MIS is used by a range of civil society organisations and academic researchers as a benchmark of income adequacy. It is mainly used in the following ways: to identify the proportion of people on inadequate incomes; to contextualise published figures on incomes and poverty, and to underpin

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<sup>30</sup> Davis, A. Hirsch, D, Hill, K. and Padley M. (2016) *A Minimum Income Standard for the UK in 2016*, JRF, July, accessed at: <https://www.jrf.org.uk/report/minimum-income-standard-uk-2016>

demands for a voluntary 'living wage', i.e., a wage from paid work sufficient to purchase the socially acceptable minimum budget. As well, a number of grant-giving charities use MIS as a benchmark to determine whether applicants seeking financial assistance should be eligible for such help.

Thus, the MIS methodology has been used to estimate the costs of a child for Child Poverty Action Group (CPAG), who are a go-to NGO for all those needing information on benefits entitlements and issues, including campaigners, advisers and lawyers. It has been used to estimate the additional costs for people who are partially sighted, in research commissioned by the Thomas Pocklington Trust. It has also been used to estimate the specific MIS for London, the island of Guernsey and remote parts of Scotland.

UK campaign groups use it to underpin the level of the voluntary Living Wage they demand. As of 2016, following a review by the Living Wage Commission, the Living Wage has been calculated by the Resolution Foundation, and uses MIS as its base both for the London and the out of London calculation. Thus, the Living Wage Foundation campaigns<sup>31</sup> for businesses to pay voluntarily a Living Wage of £8.45 per hour across the UK outside London and £9.75 per hour for London. These wage demands are above the level of the statutory minimum wage, rebadged by government in 2015 as the National Living Wage (perhaps the strongest evidence of the impact of the Living Wage Campaign and its validity as underpinned by the MIS). The UK NLW (the statutory national minimum wage) for those aged over 25 is currently £7.50 per hour and for those aged over 21; the National Minimum Wage is £7.05 per hour. It is much lower for younger people and for apprentices.

The Scottish Living Wage Campaign<sup>32</sup> is coordinated by Poverty Alliance, which is EAPN Scotland. There are 826 Living Wage employers in Scotland. The Scottish Living Wage Accreditation Initiative is supported by the Poverty Alliance, Scottish Living Wage and the Scottish government.

*How would you evaluate the development and/or current use of the reference budgets in your country? Are they useful tools for policy purposes? For public campaigning and awareness raising?*

See above. The JRF/CRSP MIS has been very useful to NGOs campaigning on minimum income adequacy, although the level of the MIS has been challenged by government and 75% of MIS is used as an indicator of poverty by JRF. It has been useful for taking another look at the distributional effects of policy changes between demographic groups, throwing light on the impact on outcomes of the choice of equivalence scales for example. It has flagged up changing perceptions of need – with families having their space expectations 'managed down' after the 'bedroom tax' came into force and a recognition that retirement pensioners too needed access to new communications technology to participate in society.

It has been very useful, especially in Scotland, for campaigning on wage adequacy, despite some conceptual difficulties in moving from a household disposable weekly income threshold to individual gross hourly wage adequacy. It has been taken up by an increasing number of employers, as a flag of employment quality, but still very few relative to the total number of firms.

But in no sense is the government using this UK MIS or any other MIS in benefit rate-setting; income adequacy is declining in MIS terms. Benefit rates and thresholds are set for other political and policy purposes.

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<sup>31</sup> See the Living Wage Foundation, accessed at: <https://www.livingwage.org.uk/what-is-the-living-wage>

<sup>32</sup> See <http://slw.povertyalliance.org/>

### **Benchmarking poverty using MIS**

As the data below show, MIS has been important in providing another perspective on what is happening to living standards and to groups at risk, in a period when relative income poverty has appeared to be stagnant.

Padley, Hirsch and Valadez (2017)<sup>33</sup> have reviewed trends in households living below minimum income standard (MIS) between 2008/9 and 2014/15 – unfortunately the latest data available for a report published in 2017. In 2014/15, 30% of individuals lived in households with incomes below MIS, a rise from 15m to 19m people, i.e., a 20% increase over the six-year period. CRSP for JRF uses incomes below 75% of MIS as an indicator of poverty. Over the period, this showed an increase of 2m people, from 9m to 11m. People at 75% of MIS have a ‘broadly similar income level to 60% of median equivalised income’. People below the 75% MIS threshold are also four times as likely to be deprived as other households (Padley et al 2017 pp5-6).

Padley et al (2017 p1) show that most of the increases in poverty and low living standard took place in the first half of the six-year period, after which increases levelled off. But single parents and single pensioners stand out as two groups whose risk continued to increase over the period, because of relatively large increases in living costs for small households and additionally for single parents, cuts in the value of benefits, both in and out of work (ibid. p33).

Children have three times the risk of pensioners of living in a household below MIS (45% compared to 15% - and the depth of the shortfall is also greater). Children in lone parent households faced the highest risk. Half lived in households below the 75% MIS threshold and only 1 in 4 lived in a household with sufficient income to reach the MIS. Another group at higher risk is people who are renters rather than mortgage holders, whose risk is rising faster as well as being at a higher level. This is because rents have risen faster than incomes and more private renters (from 30% to 37% over the period) are households with children (Padley et al 2017 pp 20-24). Regionally, London has the highest risk, but the risk is increasing more slowly than in other regions. The North-East and West Midlands of England and Northern Ireland have risks nearly at London level. In their study of six European cities, Goedemé et al also note that despite taking into account any government subsidies in the provision of goods and services, differences in housing costs between tenants and owners have a ‘very large impact’ on the costing of RBs in many European Member States and that this is one of the reasons that relative income poverty thresholds under-estimate relative poverty risks for children (2017, p10-11).

The importance of access to paid work, but also to adequate incomes, is shown by Padley et al. In the last three years of the six-year period, the risk for single people of working age of not reaching MIS, or 75% of it, went back to its 2008/9 level, with an increase in the numbers in employment compensating for low incomes for some, in the overall measure of risk. But work is not a reliable route out of poverty or low living standards. The risks of having an income from work that does not reach MIS has increased, even for those in a household including a full-time worker. The overall increase in risk is worst for families with children, especially single parents because, as well as the risk from falling real wages, they have suffered most from cuts to benefits, including working tax credits to top up low incomes. For single parents in full-time paid work, and for two-parent households in which one works full-time and the other is part-time or self-employed, there has been a more than 50% increase in the risk of falling below MIS over the period. While faster increases in the National Minimum Wage (now a (higher) National Living Wage for those aged over 25) will reduce risks for

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<sup>33</sup> Padley, M. Hirsch, D. and Valadez L. (2017) *Households below a Minimum Income Standard: 2008/09 and 2014/15*, JRF, accessed at: [www.jrf.org.uk](http://www.jrf.org.uk)

employees, the risk for the now 5m self-employed is continuing to rise, and they are not covered by minimum wage legislation (Padley et al 2017, p27, p31).

The critical importance of measuring relative risk by low income in relation to required expenditure is shown by the fact that the risk of living below MIS rose over the period, but the risk of relative income poverty declined. This is because for much of the period following the great recession of 2007/8, median income fell in real (CPI-adjusted) terms. Over the same period, the costs of a minimum acceptable living standard rose, relative to CPI (Padley, Hirsch and Valadez (2017), p1). Thus the 'poverty line' fell along with incomes, but the costs of important goods for low-income people – food and domestic fuel - rose relatively quickly, even as some electronic goods fell in price. The cost of MIS rose faster than CPI. Increases in the number of people in paid work and in full-time work have not compensated for declining adequacy of wages and benefits levels (Padley, Hirsch and Valadez (2017) p2).

Table 1 of Padley et al (2017, p12) introduces a new 'depth' indicator, extended to the whole population of individuals, not only model households. This is '*the percentage of individuals below MIS, multiplied by the average percentage that their households' income falls short*' (ibid. p11). Note that since multiplication is by the *average percentage*, it will include households with a zero shortfall. The aim is to track trends in low income, independent of any threshold. For the last six years, the percentage of the population living on incomes below that necessary for MIS, and the average percentage that they drop below it, have got bigger. Therefore, the depth indicator (incidence time's shortfall) has worsened, most especially for single pensioners, mostly due to bigger changes in prices and in what items are considered necessary to reach a minimum standard of living for this group, e.g. technology, which are a fixed cost for single-person households who cannot benefit from economies of scale. There has been a two-thirds increase in single pensioners below MIS, i.e. 500,000 more people over the last six years (ibid p23). But it should be noted that the severity of the depth indicator is much worse for children and working-age adults than for pensioners, even if its growth is slower (ibid p2).

The influence of household weightings on poverty outcomes should be noted. Children's poverty on the 75% of MIS measure is worse relative to old-age pensioners than on a 60% of median income basis. Padley et al 2017 (p16) state that this is because the weighting given to children in the government data on Households Below Average Income (HBAI) equivalence scales is low relative to the evidence of the extra costs of children in MIS. On the other hand, pensioner costs in MIS are lower than those of working-age adults, but the HBAI scales make no distinction.

### **Section 3: Implementation of Country Specific Recommendations on Minimum Income and follow up through the Semester process**

As part of the EU Semester process, a number of countries have received **Country Specific Recommendations (CSR)** on their Minimum Income Schemes or more generally on poverty. **Country Reports** can give interesting indications for countries' performance with regards to Minimum Income. Evidence can also be found in EAPN's assessment of **National Reform Programmes 2016**. In some countries under a Macroeconomic Adjustment Programme, the **Memorandum of Understanding** has reference to MI. In this section there is information about developments in response to these reports and recommendations, as well as information on how EU funds are used to support developments in relation to Minimum Income Schemes.

*Policy responses to the CSRs, initiatives to implement them and to improve the MIS, if there are new evolutions in this respect in your country. Other developments in relation to Minimum Income Schemes as part of the Semester Process, please add them here.*

The UK Country Report 2017 (SWD (2017) 93 final) was published on 22 February 2017. It is a comprehensive assessment of important dimensions of UK macroeconomic and structural/sectoral policies. The report includes commentary on macroeconomic, financial, housing, trade, labour market and social policies, investment and productivity and sectoral policies. The report accurately identifies risky or non-performing sectoral policies. The Report mirrored EAPN in its concerns about macro-economic trends, employment, education, housing and welfare, but less so what EAPN believes are the primary policy solutions. There have been no CSRs on poverty in the UK for some years. However, this year's UK Country report did identify issues of low income adequacy, in relation to both wages and welfare benefits.

There is no single legal minimum income for working age-people in the UK that the UK Country Report could address; below are comments in the UK Country Report that broadly address issues of income adequacy. What seems clear is that the 1992 Recommendation on Sufficient Resources and Minimum Incomes and the 2008 Active Inclusion Recommendation (which includes a pillar on adequate income as well as pillars on access to quality services and employment) are not being honoured.

There is no evidence that the UK Country Report is in any sense a driver of government policy, nor would government believe that to be an appropriate response to the Report. The Report is useful to NGOs and institutes as it provides a comparative commentary on a broad range of UK macroeconomic and sectoral policy. However, lack of publicity and of support for engaging with it limit its use domestically and it is not clear that many NGOs make use of it in their policy work.

### **Social protection (pp. 27-30 of the UK Country Report)**

#### **Income poverty**

The UK Country Report noted that the at-risk of poverty rate is stable, but the figures are from 2015 and there is no interpretation of the shape of the income distribution and the impact of falling thresholds on income adequacy. The Westminster government does not report on the EU poverty target and has abolished the UK's previous child poverty targets and is changing its measures and strategy, but there is no comment in the Report on this matter.

The Country Report is clear on the heavy poverty burden from the cumulative effect of welfare reforms/cutbacks, especially to means-tested social assistance for people of working age and their families. For example, it notes the impact of changes to Universal Credit (UC). The Report refers to the Resolution Foundation finding that Universal Credit has a 'far worse' incentive to work for many second earners than the tax credit system it replaces.

The UK Country Report linked the variation in poverty risks amongst groups to the different policy treatment of working-age adults, children and retired pensioners. The future risk of poverty given further '*welfare reform/cutbacks*' is explicitly stated, as is the different treatment of pensioners. The Country report explicitly refers to people with a disability and to all children.

#### **People with a disability**

The UK Country Report stated the gap in at-risk-of-poverty and exclusion (ARPE) for people with a disability as 33% and notes that this is relatively high by EU standards. The gap for those with and without disabilities is 13.6pp in the UK compared to 8.7pp in the EU. But the Country Report did not refer directly to the policy changes that have increased the risk of inadequate income/poverty for people with a disability, who confront very low chances of gaining stable, suitable employment.

## Children

The UK Country Report noted that 13.4% of UK children lived in jobless households in 2015, one of the highest rates in the EU. The Country Report stated that child poverty is ‘worryingly high’ and it is very clear on the scale and expected rise in child poverty of 1.3 million children, by 2020, due to changes to support for working-age households, especially the cuts to tax credits. The Country Report noted a further tightening of support for children, announced in the 2016 Act, which came into effect in April 2017.

There is a childcare element in Universal Credit. Along with the higher minimum wage, now called National Living Wage, it is part of the government’s strategy to get more mothers, of ever younger children, to participate for more hours in the labour market. The Country Report, as in previous years, noted the lack of affordable, high quality, child care in the UK that could fulfil that offer. The Report stated that 29% of children under 3 years of age attended formal child care, but ‘only’ 4% of them for more than 30 hours per week. The Report stated that this affects mothers’ capacity to work longer hours and may segment them in poorer parts of the labour market. The Country Report noted the government’s plans to double the number of free childcare hours for (some) children aged three and four, to 30 hours a week. But the Report raised concerns that the allocated funding may not be sufficient and that the quality on offer is variable.

It would be a progressive step if child care could also be addressed in terms of its benefits for child development. That might mean explicitly recognising that it should be a right for all children, including those with non-working parents, and that not every child would be suited to long hours or specific childcare settings. This would be more in the spirit of Article 24 on the rights of the child in the European Charter of Fundamental Rights.

## Health and social care (pp. 15, 29-30)

Given the UK’s low minimum income levels, flanking services are crucial to the capacity of low - and minimum-income households to sustain themselves and to have opportunities for better life chances. Education, employment and skills are always included in the Country Report. But for the first time, the Country Report addressed the health and care sectors, which face difficulties in financing and provision in a period of rising demand relative to budget changes. In addition, UK mortality rates have not improved since 2011 and they vary greatly by income and area.

*Have EU funds been used to support developments in relation to Minimum Income Schemes?*

As far as we know, no.

## Section 4: Social and Political Environment and its impact on the fight against poverty and the evolution of Minimum Income Schemes

In this section, there is a brief sketch of the ‘mood’, the atmosphere that exists in relation to poverty, people living on minimum income, and the impact on some specific groups such as migrants, Roma/Travellers, growing nationalist sentiments etc.

*What kind of social and political environment exists within which the EMIN project will operate?*

The three key dimensions of the developing context are first: the general election of June 8, 2017, which has resulted in a minority government; second, Brexit, on March 29, 2019, which has short and long-term effects and is already having an economic, social and political impact in the UK; and third,

the worsening structure of the UK labour market which is affecting productivity, wages and the opportunities for secure, decent work. These dimensions are politically, economically and socially linked in themselves and in their implications for minimum incomes and risk of poverty.

#### **4. a General Election outcome**

Prime Minister May called the General Election of June 8, 2017, to 'strengthen (her) hand in the Brexit negotiations' and to provide 'strong and stable leadership in the negotiations.' Polling suggested that she would win a large majority for the Conservatives, although the outcome has resulted in a minority government in which the Conservatives are the largest party, and further political instability is expected.

Given that the Government has no overall majority, some commitments in the Conservative Party Manifesto have been dropped in the Queen's Speech of 21 June, which outlines the government's programme. Some of these are important for low-income households: it appears that the 'triple lock' on state pensions will now stay, as will the winter fuel allowance for pensioners and free school lunches for young children. But the Manifesto also committed the government to continuing with the cuts to welfare, especially working-age welfare including the various minimum incomes, and this looks set to remain policy. The devolved administrations try to mitigate these in various ways.

The Labour Party manifesto promised to reverse some, about one-quarter, of the welfare cuts and to invest more in schools, health and infrastructure. The Party argues that 'austerity' must end. Most minor parties also have more pro-poor welfare policies. Therefore, the trajectory of minimum incomes and their adequacy, and risk of poverty, may differ depending on the arrangements of minority government.

#### **4. b Brexit**

The Brexit vote (48.1% 'remain' and 51.9% 'leave') exposed deep geographic and demographic divisions in the UK. The 'winner takes all' nature of the Referendum and the support of 80% of the press for 'leave' meant that a 'hard' Brexit for which 'the people have spoken' was the Conservative government's preferred meaning of Brexit, although that choice was not on the ballot paper. Currently, in the situation of minority government, there seems to be no majority, either in Parliament or in the country, for a 'hard' Brexit.

The most serious immediate Brexit impacts are related to increased uncertainty. First, for the 2.9m EU-27 nationals who are resident in the UK and the 1.2m UK residents living in the EU 27. Their rights and security are at risk and there will be significant political, social and economic costs involved in transfer of peoples, if that happens, as well as economic losses from the loss of EU workers in shortage industries and likely higher recruitment costs from recruiting from outside the EU. The National Health Service will be particularly affected. Second, the economic cost since the Brexit Referendum of inflation arising from the depreciation of sterling (of nearly 20%) is already having a real impact on standard of living for low-to-moderate income households. Costs are rising, especially rent, fuel, food, and transport, at the same time as frozen benefits including minimum incomes, new benefit cuts, and wage rises below the rate of inflation are already reducing the real value of low and moderate incomes.

Further Brexit risks will arise from a potentially lower growth path for the economy and a potential risk to employment. Since Brexit, the Bank of England has significantly revised down its forecasts of output for the next three years. Most forecasters, except a small group of 'Economists for Brexit', expect a negative economic impact from Brexit which will cut GDP, raise the public finance deficit and consequently affect the resources available for public expenditure.

Emmerson et al in an IFS report of May 2016<sup>34</sup> report had already estimated that the impact by 2020 of leaving the EU for a European Economic Area (EEA) or World Trade Organisation (WTO) membership arrangement is a 'weakening' of the public finances by £21b-£30b. WTO membership would also leave the government to find another £4bn-£8bn and more in the long term (ibid. p3). The loss is more difficult to estimate for an EEA deal relative to WTO, as it depends on the budget contribution the UK would be required to make. Overall, the IFS estimated that on any scenario the losses to the public finances far outweigh the gain from the £8bn current UK net contribution to the EU budget. There are clear and very serious implications for tax and public spending. The IFS May 2016 report (Emmerson et al p67) suggested a further £20bn-£40bn of spending cuts and tax rises in 2019-2020 to keep to the 2016 plan for a £10bn public finance surplus. There is also further risk of tax-base erosion (and therefore further weakening of the resources for welfare policy) if the UK goes for a low-wage, low-tax competitive model after Brexit. There is also the divorce bill.

The size of the potential cuts to social security benefits depend on the government's priorities and the rate and period over which the government plans to reduce the deficit and pay down debt. The last Conservative leadership (i.e. pre-June 2016 Referendum) pushed back closing the deficit to 2021, but also made it explicit that 'austerity' will continue. The current Conservative leadership has further extended the anticipated closure of the deficit to 2025. It is in this economic context that the impact of Brexit will take place, but now with a minority government and a more left-of-centre opposition, who prefer a 'softer' Brexit and crucially, no reduction in employment and social rights.

#### **Rights: European Charter of Fundamental Rights, 2009**

The Charter is focused on the EU as an entity but new proposals from the European Commission must 'have regard' to the Treaty and impact evaluation of new proposals is required. There is mainly 'soft law' (e.g. Recommendations) follow-up to the Articles in the Charter but it is important in creating space and budgets for 'social Europe', to which the UK will no longer be a party. Even if the UK Repeal Bill preserves rights, most can be removed later by statutory instrument without the approval of the UK Parliament. Also important, is that the UK will not be part of developing processes for improvements and coordination in rights and policies. It is the drifting apart of the UK and the EU-27 over time, in access to rights which is a major concern, and with it the risk of 'social dumping'.

Some key Articles and soft law follow-up where the UK may lose ground are:

- *Charter Article 34 Right to Social Protection and 'soft law' follow up – the Active Inclusion (AI) Recommendation 2008*
- *Charter Article 24: Rights of the child and soft law' follow up - Recommendation on Investing in Children, 2013*
- *Charter Article 35: Right to Healthcare*

#### **'Soft law' processes**

- *The poverty target in the Europe 2020 headline targets*
- *The European Semester process*

#### **4. c The structure of the UK labour market and the increased risks of poverty and social exclusion**

There are implications of a changing labour market for the size of the social security bill, especially for tax credit top-ups to low work incomes, as well as for the trajectory of policy in this area.

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<sup>34</sup> Emmerson, C. Johnson, P. Mitchell I. and Phillips, D. (2016), Brexit and the UK's public finances, IFS Report 2016, IFS, London, May, accessed at: [www.ifs.org.uk](http://www.ifs.org.uk)



Although Universal Credit – via the Real Time Information system operated by employers with HMRC - will help to adapt benefit payments more quickly to changes in household circumstances, the social security system is not well designed to meet the UK's changing labour market. Neither is the de-regulated labour market well adapted to the social security system - even though each has helped to generate the other.

The UK has a historically high (78.4%) labour force participation rate (January 2017) and a 74.6% employment rate, composed of 79.4% men and 69.9% women (April 2017). But even without Brexit, the UK labour market is increasingly generating insecure and low-skill, low-pay jobs as well as high-skill, high-pay jobs. In much of the EU there is a rise in temporary employment, i.e., open-date contracts to cover gaps in staffing (the third highest rise in the EU is in the UK) and in fixed-term contracts, i.e. contracts with a fixed expiry date, and in marginal part-time work. But in the UK, there is a much more significant rise in other 'atypical' work, especially 'bogus' self-employment. This is due to weaker regulation of working arrangements. The increasing numbers of atypical workers have very limited access to the social rights of employees and to certain aspects of welfare and pensions. In addition, as the economy slows, labour force participation and employment rates are beginning to drop from their historically high level. Other factors such as historically high rents relative to incomes and cost inflation are reducing the real value of incomes available to support living standards.

In a recent paper in response to a request from EAPN for country-level information on new ways of working and the risk of poverty, EAPN England's response<sup>35</sup> summarised key developments in income, jobs and the labour market. Real pay is still 5% below its 2008 level and real earnings growth is now below the rate of inflation. Since 2008 there have been real income gains (of 13%) only for retirement pensioners. One reason is that productivity is low and only 1% above its 2007 peak. 4.6m families with 7.6m children were receiving tax credit top-ups to low income (April 2015). Cuts to tax credits introduced in 2015 and to Universal Credit are expected to save £4.6bn in 2016-2017, rising to £5.8bn per year by 2020-21. Increases in the National Living Wage will compensate for only 26% of income losses due to cuts in benefits and tax credits. Public sector employment has fallen by about 2m, from 20.9% of the workforce in 2011 to 17.1% at the end of 2016. There are nearly 5m self-employed (15% of all people in work) and more than 900,000 'zero-hours' contracts, though the rise in the latter has stopped, possibly due to bad publicity. There has been a shift in employment shares towards low and high skill jobs and a 'hollowing out' in the middle. The biggest relative decline has been in process, plant and machine operatives', 'skilled metal and electrical trades' and 'administrative staff such as book-keepers and office managers.

Technological drivers include routine-biased technological change in an environment of low capital investment overall. Policy drivers include a lightly regulated labour market which enables rising insecurity as employers avoid employer costs by changing the status of jobs from employee to self-employed, or agency workers for example, and low and falling levels of benefits, which reduce the floor under wages. Young people aged 16-24 and people with a disability are most disadvantaged in the labour market, with the situation much worse for people in some minority ethnic groups.

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<sup>35</sup> Duffy, K. (2017) UK response: new ways of working, May, EAPN. The EU level synthesis report is in preparation, overseen by Amana Ferro, policy officer in EAPN Europe.

## Section 5: Developments in relation to the UK EMIN Network

*In this section, you provide information in relation to the state of development of your National EMIN Network. In particular describing social dialogue/partnership with public authorities and other stakeholders.*

*Is there a formal or informal steering group for your National EMIN Network (who is involved)?*

The Steering Group remains unchanged from EMIN 1. However, this is likely to change in the second half of 2017 when EMIN 2 is further developed.

*Have there been any contacts with potential partners that can help to build alliances for the improvement of the MIS in your country?*

Yes; see below. We are also in regular contact through the Living Wage campaign with the following Trades Unions, who are participating in our Adequate Income in the context of Brexit events. Some of these relationships will be further developed around adequate incomes as EMIN 2 proceeds.

- Trades Union contacts: Trades Union Council; Scottish Trades Union Council; Unison; GMB; Unite.
- We have ongoing relationships with the NGOs Child Poverty Action Group (CPAG); Oxfam and Conforti Institute.

*Has any activity been organised with regards to MI? Communications or public awareness raising, since the completion of the EMIN1 project?*

There have been three events, chaired by a member of EMIN Steering Group and with at least one other keynote speaker from the EMIN Steering Group. These are:

- EMIN 2 Steering Group and EAPN in the UK held an event in London at Europe House on July 8, 2016, following the referendum which resulted in Brexit at which EMIN 1 results were discussed. The event was called *After the Referendum: tackling poverty in Europe and the UK*. Participants were NGOs and trades unions. MEP Jean Lambert was one of the speakers.
- The EMIN 2 launch was presented in Glasgow at City Hall on March 23, 2017 at the *Round Table on Brexit, Social Protection and Poverty* hosted by Poverty Alliance. Participants included NGOs in the social field, including projects funded by ESF, and trades unions. As well as Poverty Alliance and EAPN England, specific organisations which participated were: Engender; Scottish Refugee Council; SFHA; Scottish Human Rights Commission; European Commission office, Scotland; Bridges Programme; Children in Scotland; Social Enterprise Academy; Project Scotland; SCDC; EuCDN; Enable Scotland; Alliance Scotland.
- The EMIN 2 Steering Group and EAPN England hosted a small meeting in London on June 13, 2017 at the Joseph Rowntree Foundation's office there. It was on a similar basis to the Glasgow meeting on the future for adequate income after Brexit. The aim as with Glasgow was to discuss with those who may form an alliance with us. It was a difficult context due to the General Election, called around Brexit, and the two terrorist attacks in London in the last three months (now three). As well as EAPN England and Poverty Alliance there were representatives from Migrant Voice; Walthamstow Migrant Action; National Council of Voluntary Organisations (NCVO) and London Voluntary Sector Consortium (LVSC); Citizens UK; Child Poverty Action Group; Shelter; Crisis; Free Representation Unit, Community Southwark; HCVS and Webb Memorial Trust.

## **Appendix 1: Evolution of the UK welfare benefits system 2015-2017: *eligibility, conditionality, payments and uprating, links with other benefits, governance of the schemes***

There are continuing changes to the UK social assistance regime. Changes are being rolled out for new claimants over a period of years from 2015 and some of the biggest cuts are only just in effect this year (2017). The main thrust is to reduce payments and tighten eligibility, to meet the political aim of reducing the share of welfare spending in GDP.

The charity turn2us has produced a timetable of benefits changes from 2015/16 to 2018/19<sup>36</sup>. Some key changes are outlined below.

### **2015: Main cuts and reforms**

In 2015 total welfare spending excluding the State Retirement Pension and some unemployment benefits including Jobseekers' Allowance, and its replacement UC for jobseekers, was capped for 2015/16 at £119.5bn, thus cutting the link between need and meeting need.

### **Summer budget changes**

In the Summer Budget of July 2015, the changes with the biggest longer-term impacts on living standards were announced, but were to be implemented over a period of years.

- From April 2016, there is a four-year freeze to working age benefits. Thus, benefits will be reduced in real terms due to inflation.
- The Summer Budget also reduced the household cap on the amount households can receive in benefits, to £23,000 per year in London and £20,000 elsewhere.
- The Budget introduced a package of changes to tax credits and UC which reduced some entitlements:
  - Support for children through tax credits and UC was capped at two children from April 2017 and the same changes would be implemented to Housing Benefit rules
  - The family element was withdrawn from Tax Credits and UC for those claiming after April 2017. The family element of Housing Benefit was withdrawn from 2016
  - The income threshold before taper reductions set in was planned to decrease from April 2016, but the decision was temporarily paused, after widespread concern. The level of earnings at which a household's tax credits start to be withdrawn was planned to be reduced from £6,420 to £3,850. The UC equivalents (Work Allowances) were intended to be reduced from £4,764 for those without housing costs support and to £2,304 for those with housing costs support. They were to be removed altogether for non-disabled claimants without children. The taper rate, the rate at which Tax Credit is reduced as earnings increase, was planned to rise from 41% to 48%.

Some other changes in 2015 with significant impact included:

- Northern Ireland had resisted the Welfare Reform Act of 2012, but the Northern Ireland Welfare Reform Bill was passed on 25 November 2015; this enabled implementation of the 2012 Welfare Reform Act and 2015 Welfare Reform and Work Bill (enacted 2016).
- EEA nationals with existing claims to JSA had to provide 'compelling evidence of a genuine prospect of work' or their right to reside in the UK and their entitlement to income-based JSA will cease.

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<sup>36</sup> See Turn2us Benefit changes timetable, for 2015, 2016, 2017, 2018, accessed at: [www.turn2us.org.uk/benefit-guides/benefits-changes](http://www.turn2us.org.uk/benefit-guides/benefits-changes)

- The government began the process of removing the Local Welfare Assistance Fund. This provided money to local authorities to help the poorest and most vulnerable people in emergency situations through Local Welfare Provision schemes. Its removal has a substantial impact on poor people. After strong objections from local authorities and charities, the government continued the fund for 2015/16 only, at £74m, a more than 50% cut.

There was a tightening of eligibility and reduction in support for the additional costs of living with a disability which significantly affected the living standards of disabled people. The majority of single disabled people are not in paid work and dependent on welfare benefits for their basic income:

- For those with 'indefinite' or 'lifetime' awards of Disability Living Allowance, its replacement by Personal Independence Payment (PIP) for those of working age was speeded up. By the end of 2017 all existing DLA claimants will migrate to PIP. PIP awards are less generous and eligibility is much tighter. There has been a high refusal rate and relatively high rate of success on appeal, and a quite widespread reduction in awards and loss of the mobility transport component.
- The Independent Living Fund, already closed to new applicants, closed entirely at the end of June 2015. It provided money to help people with disabilities to live independently. Funding is incorporated into local social care provision, which has been substantially cut.

### **2016: Main cuts and reforms**

2016 saw many of the changes to working-age benefits announced in the summer Budget of 2015 being implemented. Thus: -

- For those of working age, amongst the biggest changes was the launch in April of the four-year freeze to working-age benefits, with some protection for benefits related to the extra costs of living with a disability. It affects at least 11 million households, with some reports putting the number as high as 13 million.
- The reduction in the household benefits cap was implemented in November 2016, but exemptions were granted to more types of families, including carers.
- The benefits freeze was extended to Local Housing Allowance. Backdating of claims for Housing Benefit reduced from six months to one month. The waiting period for Support for Mortgage Interest was increased from 13 weeks to 39 weeks, with the capital limit remaining at £200,000.
- The family premium was removed from Housing Benefit from May 2016.
- The cuts to the Work Allowance thresholds in UC were finally implemented in the autumn 2016 Budget, an even bigger saving to government from working families than was the loss in income due to the benefits freezes.

There were some positive changes for low-income households, also signalled in the 2015 Summer Budget, which helped those in paid work who were working sufficient hours to benefit from the changes. Thus: -

- The Personal Tax Allowance, i.e., the amount that can be earned before liability for income tax, was increased from £10,600 to £11,000 in April 2016.
- £200m extra was provided to Universal Credit to support childcare costs up to 85%. To be eligible, the lone parent or both earners in a couple must pay income tax.
- The new National Living Wage for those aged over 25 was introduced in April 2016, at £7.25 per hour, to rise to £9 per hour by 2020.
- Social sector rents in England and Wales were to be reduced by 1% a year for four years (though this means local authority incomes and therefore services were at risk of further reductions).

## **State pension changes**

The focus of this Report is on people of working age with incomes which are affected by changes to minimum income support. But there were significant changes to state pension provision which affect decisions of working-age low-income people. These include changes to Pension Credit which has guaranteed pensioners a minimum income by topping up low income. From April 2016, there is instead a flat-rate single tier State Pension of £155.65, which is significantly higher than the old means-tested support (the guarantee part of Pension Credit). But it has no additions and it withdraws both the right to a pension based on a spouse's contributions and Savings Credit top-ups to savings. A full pension requires 35 qualifying years of National Insurance contributions. To get any pension requires ten qualifying years and the amount received rises with the number of qualifying years. The new pension is for those reaching pension age after April 2016. Also, pensioners have been protected by the 'triple lock' and therefore incomes have risen by wages, CPI or 2.5% minimum. There was no freeze on benefits as implemented for those of working age. The increase in pension age for women to bring it into line with men was speeded up, to be completed by November 2018 at 65 for both men and women. It is then planned to rise to 66 by October 2020 and 68 between 2026 and 2028.

## **2017: Main cuts and revisions**

Many of these also arise from changes announced in the Summer Budget of 2015. Thus: -

- From April 2017, the work-related activity component of Employment and Support Allowance (the benefit for working age people with no or reduced capacity to do paid work currently) was abolished; such claimants now get only the same amount as those on Jobseekers' Allowance, a loss of about £30 per week each.
- Limiting tax credit and UC support to two children was implemented in April 2017 for new claimants.
- The Family Element of tax credit was removed.
- The requirement to look for work was extended to parents, including lone parents, of a youngest child aged three, for new claimants to UC.
- Bereavement benefits, including widowed parents' allowance, stop after 18 months, instead of when the youngest child is 18.
- UC Youth Obligation; those aged 18-21 who have claimed UC for six months must apply for training places or work placements (these may be unpaid) unless they are deemed 'vulnerable'.
- The Housing Cost element of UC was abolished for single people aged under 22, with some exceptions for vulnerable young people.

There have been some positive changes to minimum income levels: -

- The UC taper rate is reduced from 65% to 63%.
- ESA claimants who are sanctioned can get 80% of their payment instead of the current 60%. The exception is ESA claimants who are on the old scheme and still getting the work-related activity component; they will continue to be subject to the 60% rate. As well, ESA claimants who undertake permitted work earning between £20 and £120 per week will not have to give up work or stop claiming ESA after 52 weeks.
- Mentally ill and homeless people who are sanctioned will automatically receive 60% of their benefits payment. Currently, they wait two weeks and may be refused. The date for implementation is not announced yet.
- There are changes to support for child care. From September 2017, free child care for three- and four-year olds is doubled from 15 to 30 hours per week, for working parents eligible to pay income tax only. Other childcare support is not available to parents in receipt of tax

credits: for example, tax-free child care will replace employer-supported childcare vouchers; the government will contribute up to a maximum of £2000 per child per year.