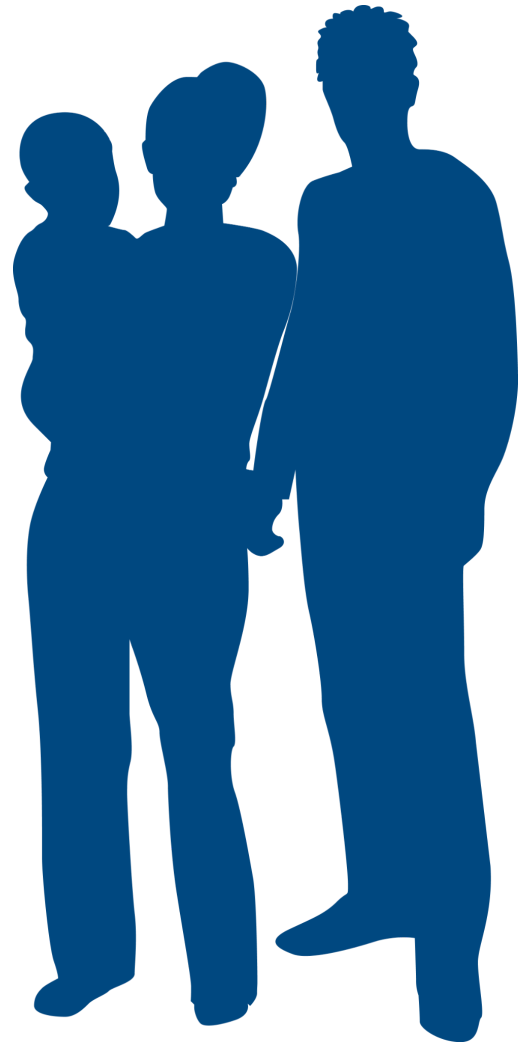


The Cost of Removing the Universal Credit Uplift



Darlington



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Introduction

Back in March 2020, the Coronavirus hit the UK and caused the entire country to grind to a stop. Shops and businesses were closed and we were all told to stay at home in order to protect ourselves and others around us. This sudden and drastic change in lifestyle came with severe economic consequences. Many weren't able to work to earn money and many household bills grew as children stayed home from school, adults stayed home from work and more food, heating and electricity was needed. The UK government responded to this by introducing the furlough scheme to support individuals who were out of work and the business who employed them. They also introduced a £20 a week uplift to both Universal Credit and Working Tax Credit for those who were on a lower income and in receipt of these benefits to better cope with the potential increase in bills.

The UK government neglected to offer any additional support to those on Legacy benefits such as income based Job Seekers Allowance or income based Employment Support Allowance. These benefits will eventually be replaced by Universal Credit entirely, but as it stands, an estimated 1.76 million¹ people are still in receipt of legacy benefits. The basic allowances have always been consistent with Universal Credit as they cover the very same living costs. However during this pandemic, families receiving legacy benefits, the majority of whom include someone who is sick, disabled or are a carer, have not had equal support purely because they claim from a different part of the system.

At the beginning of October 2021 the UK government is set to drop the uplift and drive down the income of millions of people across the UK in the "biggest overnight cut to the basic rate of social security since the modern welfare state began, more than 70 years ago."² This is a decision opposed by many as we fear the implications it holds for those in receipt of the uplift and how it will affect their standard of living and health. As such, our Research and Campaigns teams in Swansea Neath Port Talbot and Darlington set out on a collaborative effort to

¹ <https://commonslibrary.parliament.uk/research-briefings/cbp-9246/>

² <https://www.jrf.org.uk/blog/keepthelifeline-urging-government-not-cut-universal-credit>

explore how clients had utilised the uplift followed by questions which sought to find out how the removal of the uplift will impact them.

How has the uplift impacted on our clients' lives

Survey of our clients

In order to effectively highlight the impact of the uplift, and the potential consequences of it being removed, we decided it would be necessary to speak to people directly about their experiences. This would help to provide a clearer and more realistic picture of the lived experiences of life before and after the uplift; and in turn help inform how vulnerable people will be affected if the uplift is removed.

An initial questionnaire was distributed online which enabled us to reach a wider audience of Universal Credit claimants, and helped us to gain some insight and look into the different experiences people faced. We carried out a number of in-depth telephone interviews with people who were claiming Universal Credit in order to acquire this information.

A large number of the clients that we see at Citizens Advice Swansea Neath Port Talbot and Citizens Advice Darlington are in receipt of Universal Credit. In 2020/21 Citizens Advice Swansea Neath Port Talbot dealt with 5,658 different clients with Universal Credit accounting for 21% of issues brought to us by those clients. Issues surrounding Universal Credit are usually helping to calculate outcomes for clients, setting up new claims and helping with any miscalculations / deductions. We also saw Debt account for a further 22% of issues and expect to see this increase once the uplift is removed³. During the same period, Darlington Citizens Advice dealt with 1,268 clients in relation to Universal Credit issues out of 2,941 clients total. These figures demonstrate the number of Universal Credit recipients in our local areas and only begin to spell out the number of our clients who will be affected by the cut⁴.

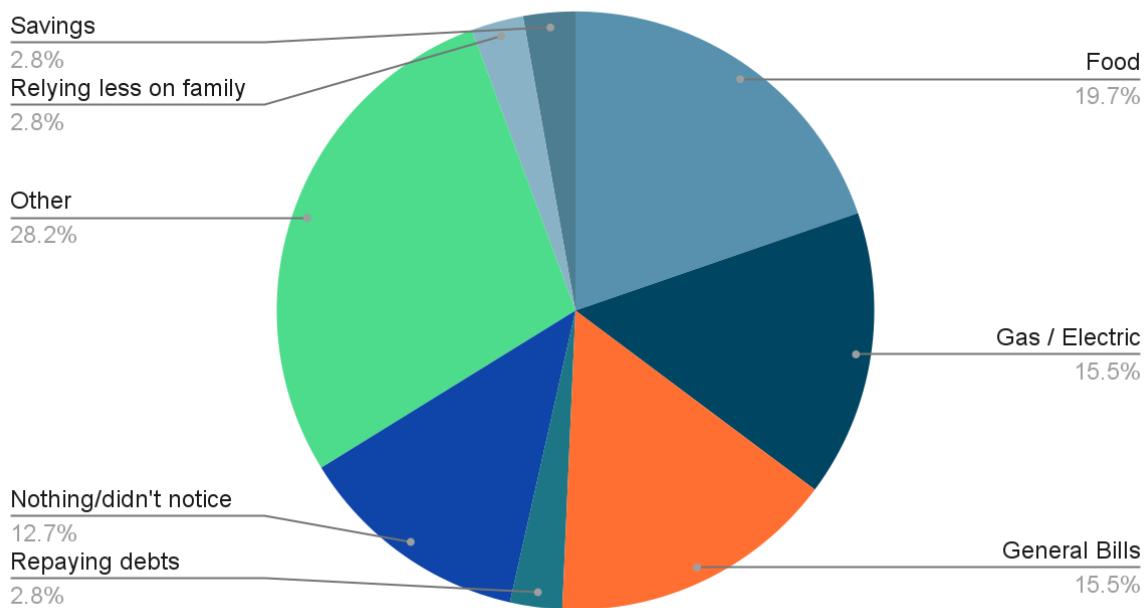
³ CASNPT Annual Report 20-21

⁴ Darlington Key Statistics 20-21

We surveyed 67 of our clients surrounding the uplift; specifically how having it has impacted their lives and the changes they anticipate once it's dropped. We wanted to understand how the additional £20 a week was utilised and the effects it had on individuals / families lives.

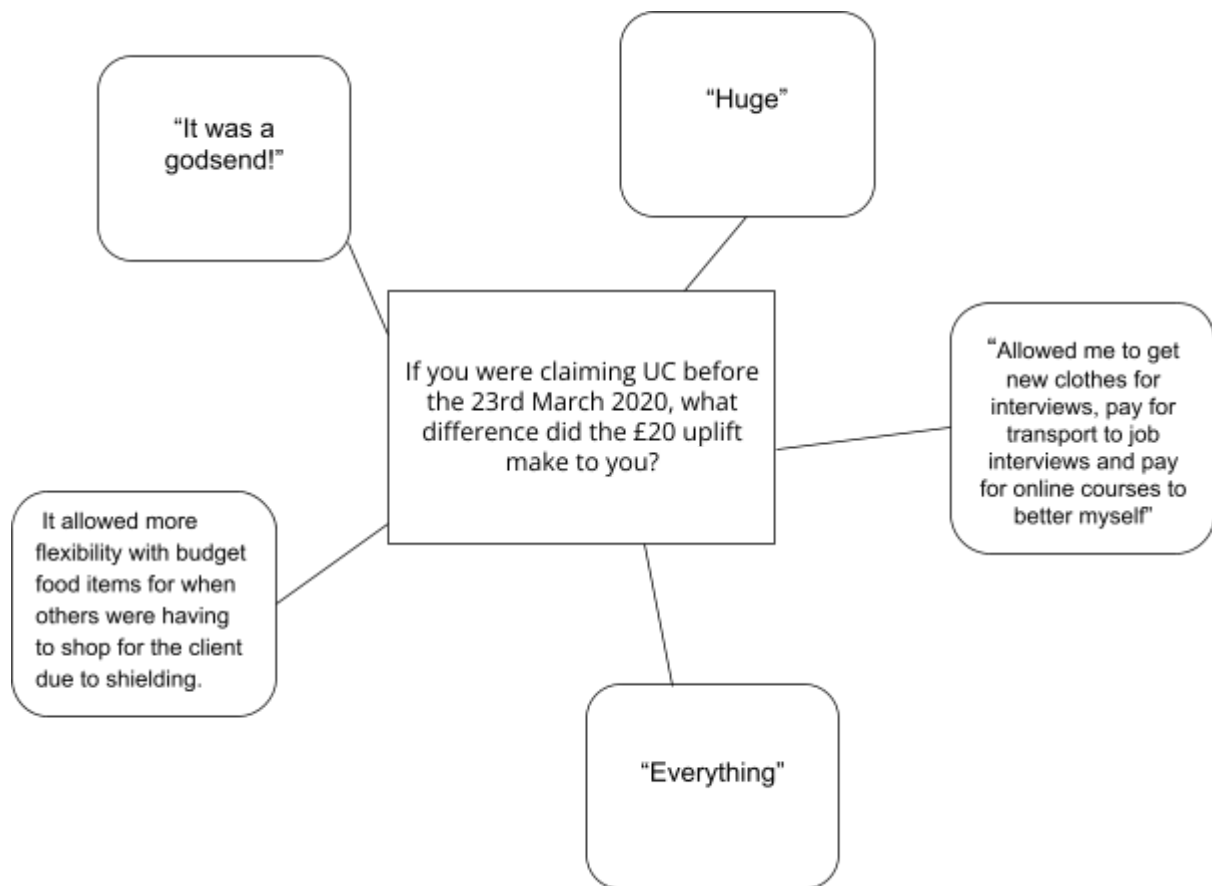
Survey of our clients Graph A

What was the uplift used for?



*Under this question, people could choose more than one option. This means that although there were 67 responses to the survey there are 71 responses noted under these categories. This is due to some people telling us they spent money on more than one category.

It can be seen from Graph A that the uplift was spent mostly on basic necessities with general bills, gas / electric and food accounting for 52% of responses. This also doesn't account for responses under 'other' (28%) of which some responses could arguably account for basics too. Some quotes from responses under 'other' are included below for clarity:



It can be seen that two responses are noted in each of the categories *Repaying debts*, *Savings* and *Relying less on family*. Some may view these as luxuries, specifically the first two, but in the context of an individual's mental health these are very impactful. Previous research has highlighted a significant correlation between debt and poor mental health, including the development of mental health issues ⁵ with individuals in debt being more likely to suffer from depression and anxiety as well as more likely to commit suicide. ⁶

One client also referenced being able to save for emergencies - and while this may be considered a luxury by some people, it is important to understand why this is not the case. Many of the lowest income households are unable to afford to replace fundamental household necessities such as fridges, freezers and washing machines should they break. These individuals rely on being able to borrow money or old equipment from family, and the Discretionary Assistance

⁵ <https://www.emerald.com/insight/content/doi/10.1108/13619321111202313/full/html>

⁶

<https://lucidwealthplanning.com/insights/7-effects-debt-has-on-your-emotional-and-physical-wellbeing>

Fund (DAF)⁷ Individual Assistance Payments (IAP) in order to get by. From the latest DAF financial summary available (2018-2019)⁸ 95,072 applications were made for Emergency Assistance Funds (EAP). These funds are available for individuals who cannot afford to pay for food, gas, electricity, clothing or emergency travel during extreme financial hardship. An additional 12,802 IAP applications were made during the same period for those who couldn't afford to replace a household necessity. It's important to note that certain criteria must be met in order to receive an IAP which constitute a change in circumstances.⁹

This limited criteria means that financial support is not always available to those who need it. It is therefore crucial that savings for emergencies is not considered a luxury for those who are in receipt of the uplift, and that it is also not viewed as excess income in order for people to put aside a small saving each month.

The survey responses clearly demonstrate that Universal Credit payments received before the uplift was introduced was not sufficient to live on. The UK government estimates that before the pandemic up to 14.5 million people were in poverty when taking housing costs into account¹⁰. The number of people in poverty across the whole workforce jumped from 9.9% in 1998 to a record high of 17.4% just before the pandemic, meaning that 1 in 6 working households in the UK are living in poverty¹¹. Loss of income and some increased household bills during the pandemic has led to increased financial hardship with lower income households feeling this strain more acutely. The Bank of England, Monetary Policy Report August 2020¹² reported that lower income households resorted to using any savings they had to make ends meet during the pandemic whilst higher earning households were actually able to add to their savings.

From this we can conclude that those lower income households, many of whom would have been considered to have been in poverty prior to the pandemic, will

⁷ DAF is a Welsh Government grant only available in Wales, similar payments exist in England under the social fund.

⁸ <https://gov.wales/discretionary-assistance-fund-daf-financial-summary-2018-2019.html>

⁹ <https://gov.wales/discretionary-assistance-fund-daf/eligibility>

¹⁰ <https://commonslibrary.parliament.uk/research-briefings/sn07096/>

¹¹

<https://www.bigissue.com/latest/uk-poverty-the-facts-figures-and-effects/#:~:text=The%20number%20of%20working%20families,per%20cent%20%E2%80%93%20living%20in%20poverty.>

¹²

<https://www.bankofengland.co.uk/report/2020/monetary-policy-report-financial-stability-report-august-2020> Box 3, pg36

be in an even worse financial situation now. This leads us to discuss the issues that will arise when the uplift is removed and the devastating impact that this will have on those who need it the most.

The impact of cutting the £20 uplift

The loss of the £20 a week uplift in turn becomes a loss of roughly £85 a month or £1040 a year. The average claimant receiving Universal Credit receives £156 a week, meaning that losing the uplift will cut their entitlement by 12%. However, about a quarter of claimants (1.2 million) receive less than £92 a week and for these claimants the uplift makes up one fifth (20%) of their entitlement.¹³ The loss of this income could be the difference between eating or heating the home. A survey conducted by the Trussell Trust¹⁴ found that:

- 4 in 10 people fear they will be very likely to cut back on food for themselves.
- 1 in 5 people think it is very likely that they will need the help of a foodbank if the uplift is cut.
- 1 in 8 parents think they are very likely to cut back on food for their children.

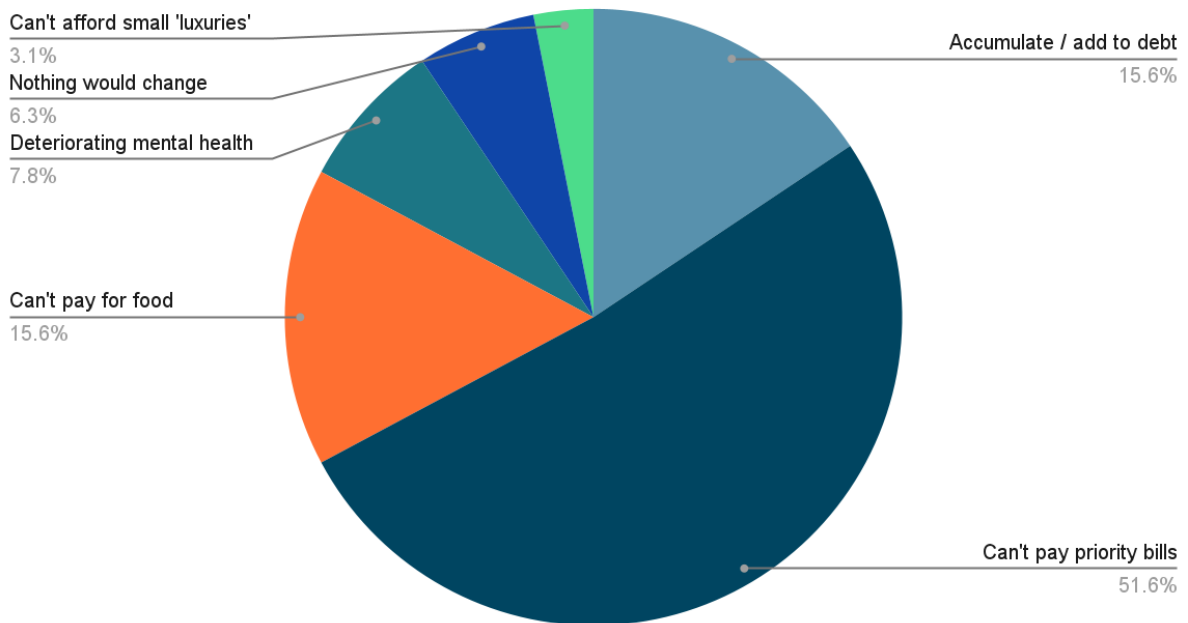
Our survey also found similar concerns from people with many fearing the impacts on their daily living and quality of life if they lose the additional income provided by the uplift.

¹³ https://ifs.org.uk/publications/15528#_ftn3

¹⁴ <https://www.trusselltrust.org/keepthelifeline/>

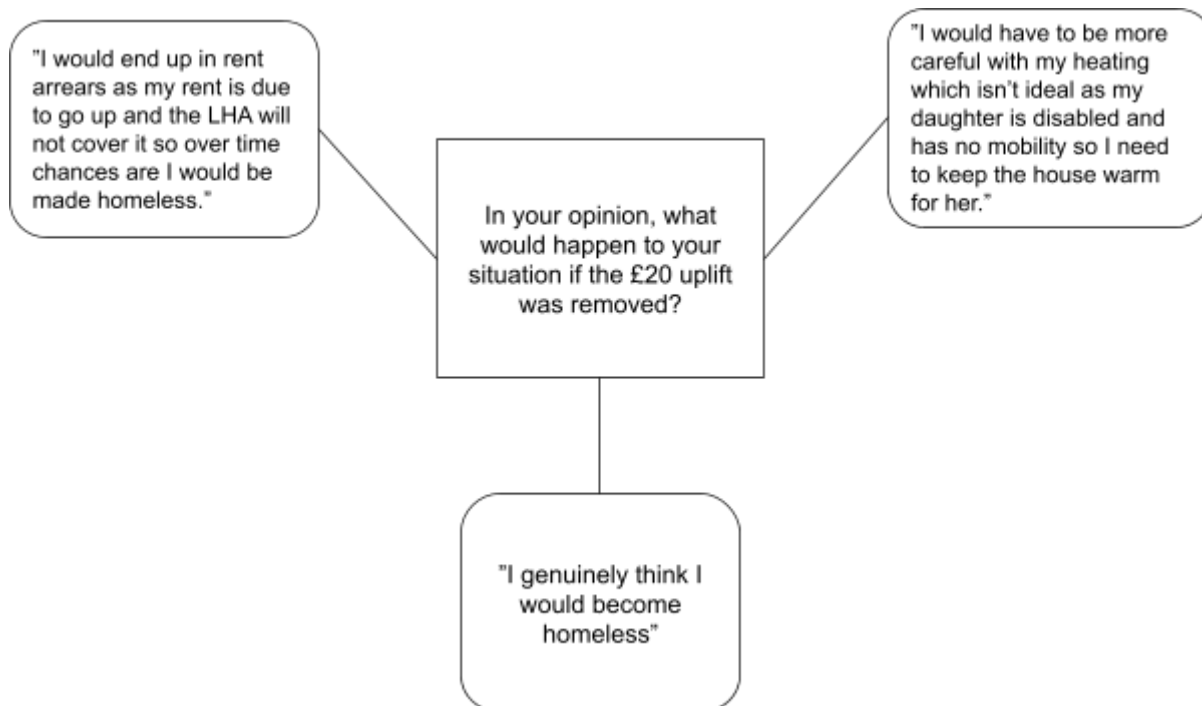
Survey of our clients - Graph B

What would happen if the uplift was dropped?



*Figures are not 1 per 1 participant but are based on all answers given. This means that some participants were affected by a number of different issues and their answers were noted in different categories. Additionally, some participants did not provide responses and were therefore not included in the analysis.

Within the '*can't pay priority bills*' category, responses varied with many worrying about their financial stability following losing the uplift. Many respondents stated that they wouldn't be able to afford rent and worried about potentially losing their homes, while others worried they wouldn't be able to feed their family. Some of the responses are noted below for reference:



As for the 2 respondents who mentioned being unable to afford small 'luxuries', this meant being able to afford to smoke for one person and being able to afford to travel to see family for another. Overwhelmingly our respondents reported that the uplift was used for basic necessities such as heating, food and electricity which every individual is entitled to.

Five survey responses directly referenced a deterioration in mental health with some mentioning that this is already starting as they are increasingly aware that they must try to plan in accordance with the¹⁵ removal of the uplift, thus subsequently leaving participants £20 worse off from October. Two quotes are included below:

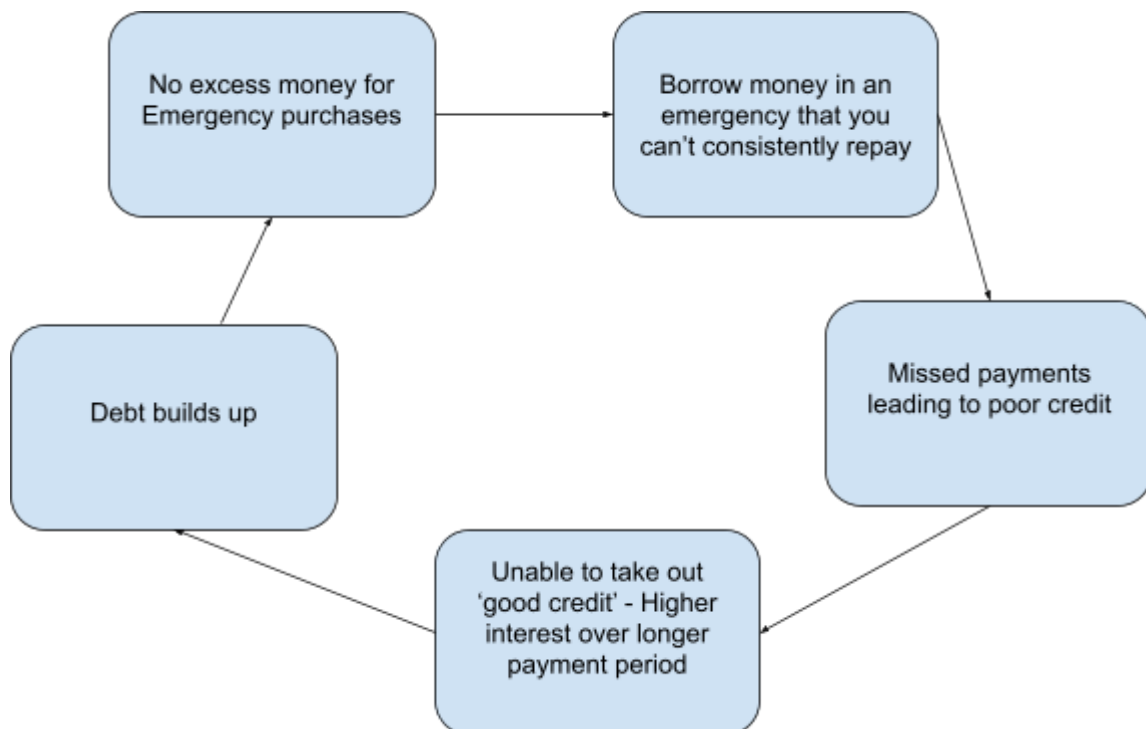


¹⁵

→ *"I'm already having panic attacks needing medical help because I know my budget will be near impossible to live on again"*

→ *"Back to stress"*

It can be seen clearly that for many of our respondents, removing the UC uplift will lead to a decrease in their living standard and result in declining mental health. For many it will mean going into or further into debt or having to choose between heating their home or eating. These are choices that no individual should have to make and creates a cycle of poor financial and mental health for the families who can't afford to live on the money that they have.



It's not just Universal Credit recipients' mental wellbeing which was positively impacted through receiving the uplift. Research conducted by YouGov on behalf of the Trussell Trust showed that it improved some individuals' physical health. This was demonstrated through some parents being able to afford fresh fruit and vegetables for their children and one cancer patient noted being able to keep the heating on in their home. The uplift has given people the option to look after their families' physical health rather than being forced to settle for less:¹⁶

¹⁶ <https://www.trusselltrust.org/2021/02/08/the-real-impact-of-removing-the-universal-credit-uplift/>

"[The uplift] has enabled me to eat better. Before the increase I wasn't able to buy fresh fruit and vegetables, because they were an extra I just could not afford."

Fundamentally speaking, many of our clients simply won't be able to afford to live without this £20 uplift. An article published by Citizens Advice ¹⁷ explains that the loss of the uplift will cause a significant number of people to fall



of people we help with debt receiving uplifted benefits **would be unable to cover their costs** if the uplift is removed

into the red, where they cannot afford the basic necessities on the income that they receive. Currently, around 43% of Universal Credit recipients have more outgoings than income and this is expected to increase to 75% following the loss of the uplift. This will mean that millions of people will be plunged further and further into debt each month because they simply aren't receiving enough money to live.

This voice has been echoed by the many organisations, charities and institutions that have released their own statements discussing the difficulties that will accompany this cut. This is a cross party issue with the cut also being opposed by six former Conservative Work & Pension Secretaries, the Northern Research Group of Conservative MPs, the One Nation Group of Conservative MPs and numerous cross party committees in all nations of the UK.

The Joseph Rowntree Foundation estimates that the loss of the uplift will send 500,000 people straight into poverty with 200,000 of those being children and around 6 in 10 single parent families being negatively impacted by this.¹⁸ It is the most vulnerable members of society that will be impacted the most by this loss and it's important that all of the effects - both direct and indirect - are fully considered ahead of introducing this change.

¹⁷

<https://wearecitizensadvice.org.uk/the-chancellor-has-an-important-decision-to-make-he-must-keep-the-lifeline-b2164fc78c59>

¹⁸ <https://www.jrf.org.uk/blog/keepthelifeline-urging-government-not-cut-universal-credit>

Conclusion

It is clearer now than ever that the support and payments received by those accessing Universal Credit prior to the pandemic were not sufficient to live on. It's senseless to suggest a return to a state where millions of people cannot afford the basic necessities and struggle with a poor quality of life as well as poor mental and physical health as a result of their financial situation. The responses to our survey, alongside a mountain of evidence from countless other organisations and groups show that, not only is maintaining the uplift for universal credit fundamental, but that we should also be looking at introducing this additional support to those receiving legacy benefits.

Through removing the uplift we will be taking a deplorable step backwards and causing extreme financial hardship for many in Swansea Neath Port Talbot and Darlington. We expect to see the number of clients failing to make budgets work and accumulating debts to increase and therefore the number of clients needing our support to increase. We also anticipate increased pressure on our food banks as well as more fuel vouchers issued as more clients must choose which bills to prioritise and rely on all support available. Our most vulnerable and the poorest members of our society *need* this additional income to survive, and we should not take the right to be able to feed themselves and heat their homes away from them.

We call on the UK Government to make the £20 uplift in the Universal Credit permanent, and keep the uplift at least in line with inflation in the future.

This document has been prepared by Isabel Rees, Research and Campaigns Worker, Swansea Neath Port Talbot and Jane Wardle, Research and Campaigns Worker, Darlington, supported by other colleagues and Pat Dunmore, Making a Difference Manager of Citizens Advice Swansea Neath Port Talbot.

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