Importance of the £20 a week Universal Credit increase in mitigating social security losses to families since 2010

September 2021

Background

Over the past decade, a series of government policies have led to large cuts to social security entitlement. Nearly 100 cuts have been made, including decisions to freeze non-pensioner benefit rates, and to increase them by less than inflation. The cumulative effect of these policies totalled about £36 billion annually pre-COVID-19.[1] However, this total number masks the fact that the impact of these policies varies considerably for different households.

Most notably, the triple lock has protected the social security of pensioner households. But even within working-age households, the impact has differed considerably across a range of factors such as number of adults, number of children, working status and housing tenure. In particular, households with children have faced the brunt of these cuts, and larger families have fared particularly badly.[2]

In March 2020 a series of measures was announced to protect household incomes in the face of the large labour market disruptions caused by COVID-19. Alongside the Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS), a key policy was raising the Universal Credit standard allowance and Working Tax Credit maximum amount by £20 per week.

The purpose of this analysis is to look at the importance of the £20 increase in mitigating the damage caused by social security losses over the previous decade for a typical working family.

Methodology

In order to estimate the effect of social security losses over the past decade, social security entitlement needs to be calculated today as well as in 2010. In order to do so, social security entitlement was modelled using UKMOD, a free-to-access tax-benefit micro-simulation model, which permits detailed analysis of different social security reforms.

The chosen focus of the analysis was to look at in-work families that vary only in the level of earnings of the main earner. However, in order to calculate how the social security losses vary by earnings, it is necessary to specify the other characteristics of the household. The chosen household type was a couple (sole-earner) with two children who are privately renting. This means in 2010 they received a combination of Working Tax Credit, Child Tax Credit and Housing Benefit. The only partial roll-out of

[1] Author's calculations from *Policy Measures Database*, Office for Budget Responsibility, 2020

[2] J Tucker, *The Austerity Generation: The Impact of a decade of cuts on family income and child poverty*, CPAG, 2017

Universal Credit means they could still be receiving that combination of legacy benefits, however it was deemed more informative to look at households receiving Universal Credit. Analysis was carried out both with and without the £20 increase in order to show the importance of the measure in protecting family incomes, in the face of the losses incurred over the past decade.

It is important to note that this analysis only looks at social security losses. It does not account for the fact that there has been modest growth in earnings since 2010 (which would vary slightly by occupation) as well as changes to the tax system.

This may seem like a limitation of the analysis. But economic growth is influenced by many factors, therefore the level of social security provided is more informative for understanding what the government has done to support low-income families since 2010. Low-income families shouldn't see themselves fall further behind more well-off households (who have benefited from earnings growth and not suffered as much from cuts to social security) because of the direct actions of the government.

Findings

Table 1: Loss in social security for a sole-earner couple with two children from 2010 to 2021

Occupation	Annual earnings	2010 – Sep 21 loss	2010 -- Oct 21 loss (with £20 cut)	Increase in loss due to £20 cut
Hairdressers	£17,223	£942	£1,982	110%
Pharmacy assistants	£17,388	£906	£1,946	115%
Shelf fillers	£17,538	£803	£1,843	130%
Waiters and waitresses	£17,633	£780	£1,820	133%
Retail cashiers	£17,721	£773	£1,813	136%
Teaching assistants	£17,904	£763	£1,803	136%
Nursery assistants	£18,069	£757	£1,797	136%
Receptionists	£18,596	£738	£1,778	141%
Care workers	£19,959	£733	£1,773	142%
Packers, bottlers, canners and fillers	£20,215	£732	£1,772	142%
Street cleaners	£20,274	£729	£1,769	143%
Hospital porters	£20,677	£711	£1,751	146%
Farm workers	£22,667	£705	£1,745	148%
Chefs	£22,670	£703	£1,743	148%
Van drivers	£22,678	£700	£1,740	149%
Postal workers	£24,028	£699	£1,739	149%
Security guards	£25,810	£698	£1,738	149%
Nurses	£33,920	£696	£1,736	149%
Primary school teachers	£36,737	£694	£1,734	150%

Note: Annual earnings come from Figure 6: Annual full-time gross pay by occupation, UK, April 2020, *Employee earnings in the UK: 2020*, Office for National Statistics, November 2020. Estimated losses come from author's calculations using UKMOD, Family Resources Survey 2018-19. For more details see the Methodology section.

About Child Poverty Action Group

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high-profile legal work to establish and protect families' rights. Child Poverty Action Group is a charity registered in England and Wales (registration number 294841) and in Scotland (registration number SC039339). cpag.org.uk

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