UPRATING FOR ALL

PARLIAMENTARY BRIEFING

25 October 2022

Summary

We have seen historically high levels of inflation over the past 12 months. This has had a significant impact on the ability of low-income families and older people to get by. We know the months ahead will be difficult for families of different sizes and all ages - and for the good of older and younger alike it will be essential that the social security system is used to deliver appropriate and adequate support to all those who need it.

In April 2022, when inflation was running at 9 per cent, benefits and pensions were uprated by just 3.1 per cent. Despite additional cost of living support packages, this has left a hole in the budgets of many. A commitment was made for benefits and pensions to increase with September 2022's inflation, which is 10.1 per cent, in April 2023.

It would be unthinkable for the government to take any other decision.

From families with kids to grandparents to single older people – those living on low incomes have nothing left to cut.

> "I'm worrying! How are we going to cope this winter? It's only just autumn and already extremely cold where we live. I feel like I'm already constantly robbing Peter to pay Paul, now I have nothing for either of them and we are sinking."
>
> Lexie, parent and participant in Changing Realities

The prices of essentials like energy and food have risen faster than other costs, and because low-income families and older people spend more on essentials as a proportion of their income, their costs have increased even more.

Additional cost of living support was needed in part because of inadequate uprating last April. It's essential that benefits and the state pension rise with inflation to start to catch up with soaring costs. People need reassurance urgently that this will happen, especially now there is no longer certainty about support with energy costs after April.

Benefits

Even if benefits are uprated by inflation, families will still be 5 per cent worse off than in 2021/22, a base level which is already far too low after cuts to social security during the 2010s. If benefits are uprated by earnings, families will be 10 per cent worse off than in 2021/22.[1]

[1] All calculations exclude the £20 cut to universal credit; families are even worse off if the £20 cut is included.

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A family with two kids, with earnings of less than £24,700, will lose out by over £600 if benefits increase by earnings instead of inflation – even after taking into account the National Insurance cut.[2]

Choosing to uprate benefits by earnings, instead of inflation, would mean an additional 200,000 children in poverty.[3]

Many lower-income and/or disabled older people are reliant on benefits such as Pension Credit and Attendance Allowance.

Age UK also hears from people in their 50s and early 60s who are not able to work up until State Pension age due to ill health or unpaid caring responsibilities and are struggling to manage on benefits such as Employment and Support Allowance, Universal Credit and Carer's Allowance. Failure to uprate with inflation will have a devastating effect on these older people.

Not all households receiving benefits will gain from uprating in April. The 130,000 households affected by the benefit cap, some of the poorest families across the country, will not receive any extra help. Despite the soaring cost of living, the benefit cap has remained frozen since it was lowered in 2016. The vast majority (94 per cent) of capped households are only affected because the cap has never been uprated.

> "Trying to keep up with the cost of living is very hard, I'm just about keeping my head above water. Apart from the energy cost I'm getting no help whatsoever and now the triple lock is in question, very very concerning, I'm 78 years old, if I could work I would now. I feel I'm begging for the triple lock to be implemented, such a worry."
>
> Dee Semple, aged 78

Pensions

The State Pension is the largest source of income for most older people but, on average, yearly payments are less than £9,000.

Last year the Government suspended the earnings element of the triple lock for one year instead increasing it by 3.1 per cent in line with September 2021's rise in the Consumer Prices Index (CPI). Since then, inflation has risen steeply and April's 3.1 per cent increase has left pensioners struggling with rising prices alongside spiralling energy costs. With inflation this September at over 10 per cent, it's essential that the Government reinstates the triple lock. Anything less equates to a real-terms cut of the State Pension at a time where many pensioners already aren't able to pay their bills and cover the costs of everyday essentials.

Uprating the state pension by earnings rather than inflation this year would leave pensioners £400 worse off each year (on average), more than undoing any benefit from the Pensioner Cost of Living payment.[4]

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[2] 'National Insurance gains to be dwarfed by income losses if benefits uprated with wages', CPAG and Action for Children, 19 October 2022

[3] The poverty results presented here are based on UKMOD version A3.5+. UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis (CeMPA) at the University of Essex. The process of extending and updating UKMOD is financially supported by the Nuffield Foundation (2018-2021). The results and their interpretation are the author's sole responsibility. Calculations are for financial year 2023/24 and the poverty measure used is relative after housing costs.

[4] Age UK analysis of average weekly payment for people receiving a State Pension (DWP benefit statistics: August 2022) uprated by ONS earnings and inflation figures.

Recommendations

To protect children, older people and their families from the worst effects of inflation, the government must urgently:

- Uprate all benefits and pensions by at least inflation
- Remove the benefit cap

In the longer term, the support available through the social security system must be adequate to keep the living standards of children, families and older people at a decent level. In advance of the medium-term fiscal statement on 31 October, we ask all MPs to make the case to government for benefit and pension uprating. We are happy to provide further briefings or meetings.

About CPAG

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.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and 130 local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people have enough money; enjoy life and feel well; receive high-quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

About Save the Children

Founded in the UK in 1919, Save the Children is a global organisation helping children to survive and thrive in 120 countries, including here in the UK, where our mission is to reduce the number of children living in poverty. Save the Children's work in the UK focuses on tackling poverty during children's earliest years, as the roots of some of the deepest educational and social divides lie in these critical first few years.