



CPAG's post-Autumn Statement briefing for MPs

November 2023

This briefing outlines CPAG's response to the Autumn Statement announcements in the following areas:

- Uprating
- Local housing allowance
- National insurance
- The minimum wage
- Changes affecting self-employed people
- Changes to the work capability assessment
- Employment support, conditionality and sanctions
- Tackling fraud and error in the benefit system

Introduction

The chancellor has done the bare minimum that is needed to prevent faster rises in child poverty. There are 4.2 million children living in poverty in the UK today. Ensuring benefits catch up with inflation, and increasing local housing allowance (LHA), will come as welcome news to the millions of families on the lowest incomes who have been left worried sick as speculation about benefit cuts and freezes played out in the news. Increasing these benefits should never have been in doubt, and we urge the government to ensure benefit uprating is placed on a statutory footing to avoid this process being repeated in future years.

Analysis from the Office for Budget Responsibility, published alongside the Autumn Statement yesterday, shows that living standards, as measured by real household disposable income per person, are forecast to be 3½ per cent lower in 2024-25 than their pre-pandemic levels. This represents the largest reduction in real living standards since ONS records began in the 1950s.¹

This reality is being felt by low-income families up and down the country. The chancellor was keen to tell us that work is the most effective way to raise living standards for families, but 71 per cent of children in poverty live in

¹ Office for Budget Responsibility, [Economic and fiscal outlook – November 2023](#), 2023

working families. Help with moving into work and to work more is only one part of a package of measures that are needed to support low-income families who are facing increased pressure on their household budgets now. Furthermore, the 'back to work' package announced in the Statement will do little to meaningfully support parents and carers back into work, instead it will heap more pressure on to low-income families already struggling – many of whom are managing complex health conditions or disabilities alongside raising a family.

The government could have made a different choice yesterday, to tackle rising levels of child poverty in the UK and invest in our children. Disappointingly, it did not make that choice. Instead of tax cuts that will boost the incomes of richer households, the government could have increased child benefit, expanded free school meals, and abolished the two-child limit and the benefit cap. This would have immediately lifted a million children out of poverty as well as ensuring that all families are provided with a basic level of support to help with the costs of raising a child.

Uprating

CPAG welcomes the fact that benefits were uprated by September CPI (6.7 per cent) – although anything less would have been inexcusable. Because the convention is that CPI from the previous September is used to uprate social security, benefits needed to increase by 6.7 per cent to catch back up with how much prices have risen, even if headline inflation forecasts are lower. Anything less would have meant a cut to benefits.

However, this should not be seen as a cure-all for low-income households. This is only bringing benefits back up to pre-COVID levels, and does nothing to address cuts to benefits since 2010 which have pushed child poverty levels to a record high. Uprating benefits in line with inflation is the very minimum the government should do to stop child poverty rising faster, but does little to help the 4.2 million children living in poverty today.

Local housing allowance

CPAG also welcomes the unfreezing of LHA, which will bring maximum housing benefit and UC housing element rates back up to the 30th percentile of current rental values. For households whose LHA does not currently cover their rent, this will be invaluable support, and will help to address the record numbers of children currently living in temporary accommodation.²

However, it is naïve to think that this addresses housing cost shortfalls for low-income families. Firstly, only those living in the private rental sector are covered by LHA. This represents only a third of households with children on universal credit (UC). In addition, many private renters will still fail to see their rent covered by LHA. In April 2020 when LHA was last equal to the 30th percentile of current rental values, half of private renters on UC with children did not have their rent covered by LHA.³ This is also only temporary relief for families who are privately renting, as LHA will be frozen again in 2025.

National insurance

The government claims that its headline cut to national insurance (NI) means the average worker is paying less in taxes. However, this fails to acknowledge the impact that freezing income tax and NI thresholds (fiscal drag) has on taxes paid, which is much greater than the headline cut.⁴ Analysis from the Resolution Foundation, published today, shows that the average household will pay £1,200 more in tax as a result of cumulative tax increases in

² DLUHC and MHCLG, Table TA1 - Number of households in temporary accommodation at the end of quarter by type of TA provided England, 1998 Q1 to 2023 Q1, [gov.uk/government/statistical-data-sets/live-tables-on-homelessness](https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness)

³ CPAG calculations using DWP data, Stat-Xplore, 2023

⁴ Office for Budget Responsibility, [Economic and fiscal outlook – November 2023](https://www.obr.gov.uk/economic-and-fiscal-outlook-november-2023/), 2023

recent years.⁵ CPAG would welcome progressive tax increases that support the government to take action on child poverty and increase investment in children, but raising tax through freezes on income tax or NI contributions is not the way to do it.

The poorest households do not benefit from these changes. Workers earning less than the NI threshold and people not in work will not benefit from the headline cut to NI. If the government wants to support low-income households, both in work and out of work, investing in the social security system is the best way to achieve this.

In addition to cuts to national insurance for people who are employed, the chancellor announced changes to national insurance for the self-employed. The government will be scrapping class 2 NI contributions. Currently, eligibility to important contributory benefits such as contributory employment and support allowance and maternity allowance comes through class 2 NI contributions. There needs to be further clarification on if this entitlement has been lost as a result of these changes, or the eligibility criteria has been changed, and if so what the implications are for claimants. Any loss in entitlement will be strongly opposed by CPAG.

Minimum wage

The announced increase in the minimum wage is welcome, but is not, on its own, a solution to poverty. The minimum wage will help middle-income households the most: only 19 per cent of minimum wage workers live in households in poverty.⁶ A key reason for this is that workers on the minimum wage are often the second earner in households that already have a main income from a primary earner. The key issue for families living in poverty is barriers to work that make it difficult to find work or increase hours once in work.

Changes affecting self-employed people

The Autumn Statement also included an increase to the minimum income floor (MIF) by up to a maximum of £1,250 a month for lead carers from April 2024. The MIF is set at the level of the minimum wage at the number of hours you would be expected to work, so the increase has the effect of requiring self-employed people who are also lead carers for children (and therefore juggling childcare responsibilities) to increase the hours they work. Once the changes are brought into force, self-employed parents and carers who are unable to increase their hours will be hundreds of pounds a month worse off.

The logic behind the MIF is fundamentally flawed. It assumes that self-employed people on universal credit have a minimum level of self-employed earnings, even if their actual income is much lower. This minimum level of income is then used to calculate their social security entitlement, meaning they receive less than they would do if their actual income was used. The justification for this is that they could get a full-time minimum wage job instead of being self-employed. However, this is not the case for many self-employed people, who are self-employed because of the high barriers to work they face. This is particularly true for parents with childcare responsibilities who may have chosen to be self-employed as it's the only way they can juggle work and childcare, as this case study from our Your Work Your Way programme illustrates.

⁵ Resolution Foundation, [A pre-election statement](#), November 2023

⁶ J Cribb, R Joyce and X Xu, [The future path of minimum wages](#), Institute for Fiscal Studies, 2019

A couple has two children aged 2 and 8 (the 8-year-old is severely autistic). The mother was preparing for work and was the lead carer, the father was self-employed and worked in construction. The 2-year-old attended two days of nursery and the 8-year-old was attending a SEND school, but due to various health issues was often off from school, including spells in hospital. At times both parents were required to look after the children meaning that the father was unable to work, sometimes for several days or a week when their autistic child was admitted to a hospital and both parents had to split care.

Changes to the work capability assessment (WCA)

CPAG agrees that many people with a health condition or disability want to work, and we welcome reforms to the social security system that will support them to do this.

Changes that will allow people to try work without the risk of losing their benefits are welcome, as is the provision of voluntary tailored employment support. However, the number of places available on the various programmes announced yesterday is dwarfed by the 2.6 million people who are economically inactive due to a health condition or disability. See the section below for more analysis of the announcements on employment support.

We are concerned about changes to the WCA activities and descriptors, particularly the changes to the 'substantial risk' provision, which limits its use to people with the most severe mental and physical health problems. This provision is a vital safety net for vulnerable people who may be at risk of serious harm or death by suicide if they were found fit for work. The changes to the 'mobilising' and 'getting about' descriptors are also concerning. These changes are based on an assumption about changes in the labour market regarding home working and flexible working. We believe the government is overstating these changes and failing to acknowledge evidence that shows that in the lowest-paid parts of the economy, where disabled people are most likely to work, workers do not have the same access to home working and flexible working opportunities.⁷

It is important to note that none of these changes are necessary to provide claimants with additional support to move into work, as outlined above – the government could provide this support without making any changes to the WCA assessment process. The end result of making these changes to the WCA assessment process is that vulnerable claimants with a health condition or disability will lose significant income, and many more people will be brought into a punitive conditionality and sanctions regime that fails to recognise the significant barriers to work that this group faces.

Employment support, conditionality, and sanctions

The Autumn Statement contained significant changes to employment support, conditionality and sanctions, and coupled with changes announced at the Spring Budget, will have a huge impact on people with health conditions or a disability, parents and the long-term unemployed. The expansion of specialist employment support and mental health support, including Individual Placement and Support, Universal Support and NHS talking therapies, is a welcome step. The inclusion of funding that can be used by participants to help cover the costs of training, or to help manage health conditions, can be hugely beneficial to the provision of effective employment support, as we know from our own work in this area. It is therefore positive to see this included in the Universal Support programme, although more details of how the funding can be used are needed.

However, the support that is being offered is insufficient to meet the needs of the target group. The increased access to mental health treatment through NHS talking therapies is positive, but can only provide support to

⁷ ONS, [Is hybrid working here to stay?](#), 2022

384,000 people over the next five years. 1.35m people currently report mental ill health as their primary health condition.⁸ Similarly, the increase in provision of tailored employment support is a welcome step, but lacking in scale – it would take 35 years for the specialist employment support announced yesterday to be offered to the 2.6m economically inactive people with a health condition or disability.

This Back to Work Plan fails to recognise that there are good reasons why work is not a realistic or practical option for everybody as some people face significant barriers to employment. The government also fails to acknowledge that nearly two-fifths (38 per cent) of people who are currently out of work due to long-term sickness suffer from five or more health conditions,⁹ hence have complex and often interlinked physical and mental health needs unlikely to be addressed by talking therapies alone.

CPAG is extremely concerned about the changes to conditionality that were announced as part of the Autumn Statement. Increased work search requirements and strengthened sanctions will see claims of individuals who have been on an open-ended sanction for over six months closed. For claimants who don't move into paid work, interventions will intensify the longer they remain unemployed. Those who fail to get a job within 18 months will have to accept a mandatory work placement or take part in other intensive activity, or risk their award being closed.

These changes, together with the long-term plan to abolish the WCA and the short-term plan to reform the WCA, and the recent changes to conditionality for lead parents and carers, will result in many more people with health conditions, disabilities and/or significant caring responsibilities becoming subject to punitive conditionality regime and sanctions. That now also include a risk of benefits being stopped entirely, access to free prescriptions and travel being withdrawn, and claims being closed.

This approach is extremely worrying, and will not break down the barriers to work that these people face or treat the root causes of these barriers, such as the lack of flexible work that fits with family commitments, issues with childcare, or poor health including mental health problems. The changes fail to recognise that many people who are currently out of work face complex barriers to accessing employment and require meaningful support based on trust and sufficient time to progress towards work, not a punitive conditionality regime and sanctions that are proven to be ineffective.¹⁰ For example, the fluctuating nature of mental health problems can make it challenging for someone to undertake commitments, and the threat of a sanction (and possibility of losing income) does not support such claimants to prepare for work. It is likely however to push them into hardship, exacerbate their mental health problems, and move them further away from the labour market. Through our Early Warning System we routinely hear of the devastating impact of sanctions on claimants with significant barriers to work, including mental health illness and childcare.

⁸ ONS, [Rising ill-health and economic inactivity because of long-term sickness, UK: 2019 to 2023](#), 2023

⁹ ONS, [Rising ill-health and economic inactivity because of long-term sickness, UK: 2019 to 2023](#), 2023

¹⁰ NEF, [From Compliance to Engagement: Rethinking the use of conditionality in our social security system](#), 2023

A lone parent with children aged 9 and 11 couldn't get her job centre work coach to understand the impact of her mental health conditions. She was continually directed to look for jobs and when she provided sick notes, was asked to stop doing so. She broke down in several job centre appointments but describes an unsympathetic response, with the work coach rebuking her for not being in work despite the age of her children. She was sanctioned by the Department for Work and Pensions (DWP) for not meeting her work-related requirements. The claimant struggled to feed her children, stopped eating herself and lost weight. The family could not afford new clothes or social activities. The claimant's mental health declined further and any possibility of entering employment vanished. After eventually getting independent benefits advice, she was helped to challenge her work-related requirements and is now awaiting a work capability assessment.

We are particularly concerned about what these changes mean for parents and carers, many of whom are managing complex health conditions or disabilities alongside raising a family. These changes fail to recognise complex barriers that parents and carers with childcare responsibilities face in accessing employment. These include a lack of flexible working, a lack of tailored employment support, poor incentives from working particularly for second earners in low-income couples due to lack of second earner work allowance in UC, lack of support with costs for work-related training and difficulties accessing childcare, as parents frequently tell us.

'I have had to have my mum use her annual leave to provide wrap around care as my child's nursery doesn't offer [it]... Realistically working 30 hours per week would equate to 45+ hours in real life. Mentally, physically and practically... working 30 hours would just be impossible. The added stress and fatigue of working (I have physical and mental health difficulties which mean I have limited capability for work as it is). And realistically I know I am in a better position than most - I have an employer who allows me to work 9.30-2.30, 3 days per week and are flexible on me working from home if my child is sick...'¹¹

The expansion of childcare announced in the Spring Budget is a welcome step, however there are concerns that the reforms cannot be implemented as planned as the expansion has not been properly funded by the government. There are already significant childcare shortages. According to Coram Family and Childcare, in 2023 one in three local authorities reported gaps in childcare supply affecting the delivery of the 30 free hours for 3- and 4-year olds; only 15 per cent reported sufficient childcare for parents working atypical hours; less than 1 in 5 (18 per cent) local authorities reported enough childcare for disabled children; and less than half reported enough childcare for children under two. This means many parents are unable to access childcare that meets their needs.¹²

Tackling fraud and error in the benefit system

The Autumn Statement includes plans to give the DWP further access to claimant data, including data held by third parties such as banks, to better identify fraud and error in the social security system. It is in the interests of claimants to ensure benefit payments are paid accurately, and CPAG welcomes steps to reduce fraud and error, but we do not believe invasive steps such as these are appropriate. Measures to tackle fraud and error must be proportional to the extent of the problem, there must be appropriate safeguards in place, and they should not infringe on the right to privacy of millions of claimants. These steps signify a worrying direction of travel where

¹¹ Case study shared with CPAG by the Single Parents Rights network. A single parent with one dependent child aged three, currently works 15 hours a week as a support worker.

¹² Coram Family and Childcare, [Childcare Survey 2023](#), 2023

people claiming benefits have fewer rights than others, just because they need support from the social security system.

The stakes are high for claimants if fraud investigations are not carried out correctly and in a timely manner, as evidence from our Early Warning System shows.

A single, disabled claimant in receipt of universal credit and personal independence payment has been without her UC income for three months after being targeted by DWP's anti-fraud Enhanced Review Team. Having received UC without issue since 2019, her benefit was abruptly suspended in the summer of 2023 and she was asked to provide evidence including photographs of herself holding her passport and standing outside of her home, rent receipts, utility bills and bank statements. After complying with these requests she has been left waiting several weeks for a decision from the DWP. She has been unable to pay her rent for three months and is at imminent risk of losing her home.

Conclusion

The chancellor's Statement failed to mention children at all, and did the bare minimum to stave off further immediate sharp rises in child poverty. Low-income families across the country will be breathing a sigh of relief to see benefits uprated and LHA increased, but more must be done to tackle rising levels of child poverty, and this action is needed urgently. Increasing child benefit, expanding free school meals, and abolishing the two-child limit and benefit cap would lift a million children out of poverty overnight and provide families with basic support to help with the costs of raising a child. This is the ambition we need to see from the government, instead of tinkering with tax breaks that do little to help those on the lowest incomes.

About CPAG and our sources of evidence

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 end poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need.

We have particular expertise in the functioning of the social security system, through our welfare rights, training and policy work. CPAG's *Early Warning System* collects case study evidence from advisers across the UK on the impacts of welfare reform, and has collected thousands of cases to date. The *Your Work Your Way* project provided tailored employment support to second earners.