



# ***Call for evidence for inquiry into the (in)adequacy of social security***

***CAP's written response to the All Party Parliamentary Group on Poverty***

December 2022

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## Purpose

### 1. To what extent are current levels of social security benefit rates effective in achieving the aim of alleviating poverty?

The Government states that one of the main aims of the social security system is to relieve poverty. However, the current rates are in no way effective in achieving this aim. Social security should be a vital lifeline to keep people afloat. Yet, for years, the real value of social security has been falling and the cost of living has been increasing. The picture is only getting worse – the Resolution Foundation estimated in early September 2022 that absolute poverty would increase by over 3 million people between 2021/22 and 2023/24.<sup>1</sup> Looking back at deficit budget statistics, Christians Against Poverty (CAP) has seen that this has been a problem before the cost of living crisis and the COVID-19 pandemic. In 2018, 35% of CAP clients did not have a sustainable budget.

A question we must ask is whether the Government is actually aiming to alleviate poverty through its social security policies? Numerous decisions taken across a number of years have proactively pushed more households into, and deeper into, poverty. This includes the decision to not uprate social security in line with inflation over numerous years, such as Jobseeker's Allowance being frozen from 2015 to 2020. A number of Government policies have countered the aim of alleviating poverty, such as the benefits cap – a limit on the total amount of social security you can get. So, even if the rates were increased, without changing the benefit cap, the impact would not be felt.

Those in receipt of disability benefits are also disproportionately more likely to experience poverty. Whilst the disability elements of social security helps, it is not sufficient for the extra costs they face in reality. This has been evidenced in Scope's disability price tag work, that shows back in 2019, on average, people with disabilities faced extra costs of £583 a month.<sup>2</sup> The Government made a decision to remove the higher rate for all Employment Support Allowance (ESA) claimants, which has meant those in the ESA work-related activity group receive the same rate as those on Jobseeker's Allowance.

If someone becomes eligible to claim benefits, the Government expects that person to proactively apply. The New Economics Foundation have suggested '*auto-enrolling everyone onto a reformed model of universal credit, meaning that people receive additional financial assistance to top up their income to a minimum level whenever it drops below this, without them having to proactively apply for support*'.<sup>3</sup> In 2021, CAP released a blog series on the topic of officialdom, making the case that often people on low incomes have to navigate complicated and lengthy systems in order to access services. A social security

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<sup>1</sup> <https://www.resolutionfoundation.org/publications/in-at-the-deep-end/>

<sup>2</sup> <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag/>

<sup>3</sup> New Economics Foundation, Social Security for All (2022) available at: [https://neweconomics.org/uploads/files/NEF\\_SOCIAL-SECURITY-FOR-ALL.pdf](https://neweconomics.org/uploads/files/NEF_SOCIAL-SECURITY-FOR-ALL.pdf)

system that was designed to relieve poverty would be simpler to use and more accessible to all.

### **Adequacy**

#### **2. To what extent do you think families and individuals receive enough from the social security system to meet their needs?**

Every client seeking debt help with CAP will receive a budget detailing their income and expenditure. As a result, CAP has lots of insight into what households on low incomes spend and what income they receive. In 2021, low income was the primary reason for debt for 17% of clients and would have been a contributing factor for many more. CAP clients had an average household income of £13,404 (after housing costs) per year. For some, social security does its role of making sure people are protected from an income shock, or supported if they are unable to work long term. However, social security rates are not enough for many to live sustainably, and they certainly don't allow people to live well. Living life on such a low income means that people are unable to save, unable to afford to fix broken appliances, and fall victim to the poverty premium, unable to pay for things upfront or invest in quality. There is a big difference between surviving and living without worry of how far the next paycheck will stretch. Living shouldn't cost everything, but for millions it does.

More information is provided in question four.

#### **3. How should we decide on an adequate level of social security entitlement? (Distinct from the uprating process)**

The Government should follow a number of processes to decide on an adequate level of social security entitlement.

#### **Involving those with lived experience**

The Government should consult with those who live on social security, learning more about how people budget when living on a low income and inviting them to help set a rate that is liveable and allows for people to thrive, not just survive.

#### **Guaranteeing that the rate covers essentials**

There are some key components of every budget that people are currently unable to afford, including food and utilities. We live in a world where people are forced to skip meals (47% of CAP clients reported having to sacrifice meals at least monthly), visit a food bank or go without heat. 45% of CAP clients reported going without heating at least monthly before help.<sup>4</sup> In a fair and just society, one where the Government aims to alleviate poverty, we

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<sup>4</sup> <https://capuk.org/clientreport>

should not be seeing over two million households receiving emergency food aid each year.<sup>5</sup> CAP would like to see the Government commit to covering the essential costs a typical household has. This could be done by benchmarking the standard cost of these essentials on a regular basis. Furthermore, CAP would like to see a backstop implemented that prevents separate policies, such as Local Housing Allowance, the benefits cap and debt deductions taking someone below this backstop level.

### **Ensuring social security meets a minimum income standard**

Better yet, the Government could ensure that anyone in receipt of social security receives the income needed for a basic standard of living. CAP would like to see the Government adopt the Minimum Income Standard approach, designed by Joseph Rowntree Foundation (JRF) and Centre for Research in Social Policy (CRSP). This could be done, again, by looking at the cost of living, and consulting with both the public and those people living with less. This would build on guaranteeing the essentials by ensuring that households are able to afford more than the essentials to achieve a basic standard of living.

The Social Metrics Commission's latest metric on measuring poverty accounts for the negative impact on people's weekly income of inescapable costs such as childcare and the impact that disability has on people's needs.<sup>6</sup> These variances in requirements should be taken into account when deciding on the level of income someone should receive. At the very least, CAP would like to see the Government protect those groups who have these additional costs, especially when servicing debt, as debt deductions do not currently take these factors into account.

### **4. How well does the current level of social security entitlement meet the needs of claimants?**

The current rates of social security do not meet the needs of claimants. Across the debt advice sector, there has been a growing prevalence of unsustainable budgets (people in debt working with CAP whose income is less than their outgoings). CAP has been monitoring the number of clients with deficit budgets and found that one in two (47%) clients who received debt advice from CAP in the three months (August-October 2022) had a deficit budget. On average, they had a shortfall of £243 per month in income to cover their basic household expenses. Nine in ten (89%) new CAP clients in 2021 received income from social security – for two fifths (42%), it was their sole source of income.

There are a number of demographic groups that are more likely to be in poverty. This includes anyone under 25, who currently receive 21% less than those over 25.<sup>7</sup> It also

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<sup>5</sup> In 2021/22 approximately 2.17 million people used a foodbank in the United Kingdom  
<https://www.statista.com/statistics/382695/uk-foodbank-users/>

<sup>6</sup> <https://socialmetricscommission.org.uk/MEASURING-POVERTY-SUMMARY-REPORT.pdf>

<sup>7</sup> Universal Credit: single and under 25 you receive £265.31, and those over 25 receive £334.91.

includes single adults out of work. Families with children are disproportionately impacted by the benefits cap; according to Child Poverty Action Group, 85% of those impacted by the cap are families with children. Larger families are also more likely to be living in poverty due to the two child limit. Households receiving social security living in the private rented sector are another group often found in poverty, with a number of dynamics at play, including the frozen Local Housing Allowance rate and higher rent rates than social housing. Being unable to afford rent can have a huge impact on households, including the threat of eviction, being rehoused far away from friends and family and having to put up with poor living conditions, such as damp. Therefore, social security entitlement is not meeting the needs of these groups even more so than any others.

Those in receipt of additional disability benefits receive more in their banks due to the disability elements not coming under the benefits cap. However, even this is not enough for much of the additional costs living with a disability creates. CAP frequently sees examples of clients using disability elements to pay for essentials, such as food, when it should be spent on items such as transport or equipment.

### **Uprating process**

#### **5. How well is the current process of uprating benefits working?**

CAP supports the model of uprating rates to keep up with the ever-changing economic situation; however, the current process is not achieving the aim of alleviating poverty. The lag time between the decision of how much social security should be uprated, and the implementation of the new rates, means that the decision is outdated before it has even started. This is even more pertinent when inflation rates are high, which sees costs rise and spending power diminish. For those on a low income, there is no buffer to fall into, and people are being forced to simply go without.

In the most recent Autumn Statement, CAP was pleased to see the Government raise the benefits cap in line with inflation, but the Chancellor failed to take steps to ensure payments are not artificially held back by fiscal drag in the future. CAP would also like to see the promised uprating of benefits in September 2022 be brought forward from April 2023 so that households could benefit now, during this winter when they need it. Furthermore, there is also not a regular commitment to uprate the benefit cap or Local Housing Allowance, like there is with the main social security payments. CAP would like to see a commitment to see these raised as standard, unless the Secretary of State makes an active decision otherwise.

#### **6. What are the alternatives to the current practice of uprating benefits in April based on last September's inflation rate?**

As the decision is made to uprate social security, CAP would like to see this implemented in the same month, and for this to happen twice a year so that social security better keeps up with the cost of living.

## About Christians Against Poverty (CAP)

With a vision to see transformed lives, thriving churches and an end to UK poverty, Christians Against Poverty (CAP UK) is a national charity that equips local churches to deliver a range of services.

CAP Debt Help provides holistic support for families and individuals facing problem debt with a free face-to-face service – tackling both the financial conundrum and the wider emotional impact. CAP tackles the causes and consequences of UK poverty through free community groups, also run through local churches. This includes Job Clubs, Life Skills groups and the CAP Money course.

All CAP's services are free of charge and available to everyone, regardless of age, gender, faith and background. To find out more, visit [capuk.org](http://capuk.org).

## Requests for further information

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