

Universal Credit and Tax Credits uplift

The £20 uplift in Universal Credit and Tax Credits has been an important source of support for people on a low income during the COVID-19 pandemic. This policy has benefitted around one in five CAP clients, and was not just important for the millions of people who have been under increased financial because of reductions in hours, take-home pay or job loss, but also for all those living on a low income who faced increased living costs due to shielding, internet use, delivery costs and home-schooling.

In addition, the uplift was targeted at low income households, many of whom faced poverty and financial difficulty before the pandemic. The potential loss of this income risks plunging millions deeper into poverty at a time when secure and full-time employment will be harder to come by. This is a group who were already struggling to cover their basic living costs, exacerbated by the collective impact of welfare policies introduced since 2010, including the benefit freeze. It is also a grave concern that many of those who are disabled, sick and carers missed out on the uplift, despite the majority being within the poorest 10% of households in the UK.

The UK public will continue to face great uncertainty through 2021 and the personal financial impacts of the pandemic are increasingly long-term. In the context of high unemployment for several years to come, particularly in areas of highest deprivation, the incentives the welfare system aims to create will not have the same effect. The impact of living on such a low income for prolonged periods will be scarring. CAP clients are already worrying about the loss of the uplift and the debt they fear they will build up as a result.

'I've got health problems at the minute with my left kidney. I am waiting for an operation but it's been cancelled twice due to COVID-19. And with the extra Universal Credit benefit I'm getting, it's a really big help. If it stops and it goes back to my normal Universal Credit payment, I'm going to be struggling again. I'm worried that I'm going to get myself back into debt again which I don't want to be doing.' – Expert by experience and CAP client

'I'm a carer in a nursing home. I'm a single parent, trying to work, put the hours in and help out during a pandemic. I get very little Universal Credit, and I have to pay for rent resulting in me struggling. I became bankrupt in February last year, and I'm hoping to never, ever get into that situation again.' – Expert by experience and CAP client

Disabled people's experiences

15% of CAP clients were excluded from the uplift because they receive a legacy benefit (JSA, ESA or Income Support) instead of Universal Credit or Tax Credits. Four in five (80%) CAP clients in receipt of legacy benefits have a health condition or disability which means they are unable to work.

It is of great concern that the majority of households in receipt of legacy benefits are disabled, sick or carers. Disabled people were already more likely to be in poverty heading into the pandemic. In face of higher energy bills, panic-buying and increased need to pay for internet access, this group is feeling the pinch more than ever.

The impact of the uplift on disabled people has been polarised. Some are already in receipt of Universal Credit, and therefore it is unjust that the excluded claimants are in

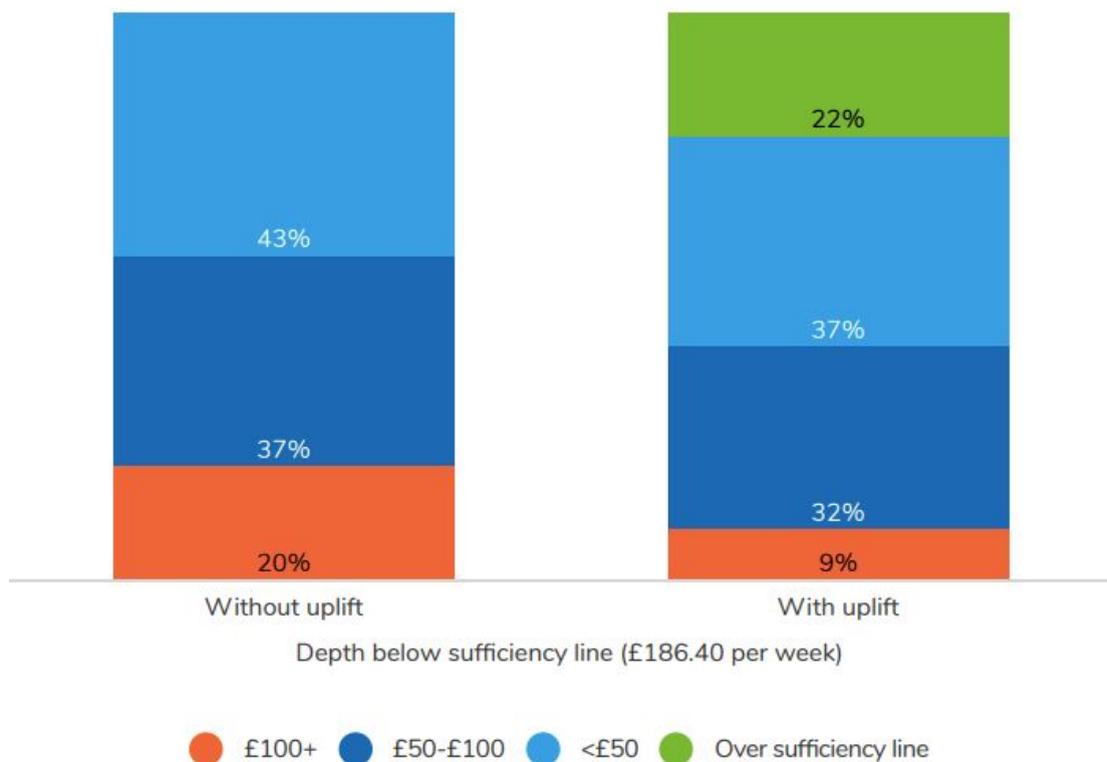
the exact same position as many others who did receive the uplift. This has created feelings of additional stigma at a time when social connection has been restricted.

'How are we supposed to live? Everybody on Universal Credit is getting £20 a week more. I've just lost my [Personal Independent Payment]. I'm in a two-bedroom house which I brought my son up in, but now he's moved out. It's £15 a week bedroom tax out of my £76 a week income. Then you've got gas, electric, water, TV licence, food. It's really bad. I'm going to end up back in debt. Every little thing adds up. Face masks are £1.50. How will you pay for that in a minus budget? I can't afford the phone bill which is really upsetting as I can't see or call anyone. I've had food deliveries from the foodbank. I feel suicidal, it's horrible.' – Expert by experience and CAP client

Nine in ten (88%) CAP clients who did not receive the uplift because they receive a legacy benefit are amongst the poorest 10% of households in the UK. In addition, one in three (33%) have dependent children and one in four (26%) are lone parents.

Depth below sufficiency line

Percentage of CAP clients in receipt of legacy benefits who are below the sufficiency line:



The uplift would make a significant difference to legacy benefit claimants. The basic rate of JSA and ESA is just £74.35 or £58.90 for under 25s. This is less than Statutory Sick Pay which was criticised early on in the pandemic for not being enough to live on. As a result, more than a third (35%) of CAP clients in receipt of legacy benefits have an unsustainable budget.¹ Throwing the lifeline to this group would reduce the number of

¹ Analysis of the Financial Statements of 2,453 CAP Debt Help clients in September 2020. Their income level has been compared to a sufficiency benchmark of £186.40 per week per person (after housing, energy and Council Tax). The benchmark is taken from the Office of National Statistics (ONS), *Family spending workbook 2* published in

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legacy benefit claimants below the sufficiency line by 20%. A further 10% of CAP clients on legacy benefits would be within £15 of the benchmark if the uplift is extended, and the number of people lacking more than £100 a week would be halved (reducing from 20% to 9% of legacy benefit claimants currently below the sufficiency line).

The Government has maintained that legacy claimants can make an application for Universal Credit to benefit from the uplift. However, this is not without risks and would mean these claimants are no longer entitled to transitional protections if their new payments are lower. This is acknowledged in the fact that the Government does recommend people seek advice before making an application, but does not take into account the increased stress that people are under during the pandemic and that it is more difficult to access this support due to availability and the health risks of accessing it. Many sick and disabled people will not be able to face making the transition to Universal Credit in this context. It is also difficult for those who would require face-to-face advice or who do not have internet access at home to properly consider this option.

Taking into account other welfare policies

In addition, some Universal Credit claimants did not receive the full or any uplift in their payments because of other welfare policies which were not uprated in line with the uplift, including the benefit cap. Reconsideration of the benefit cap is imperative in 2021 as claimants face a more difficult labour market.

Only three quarters (77%) of CAP clients in receipt of Universal Credit or Tax Credits saw an actual increase in their income since the uplift took effect on 6 April 2020. This particularly affects lone parent families. The Government gave assurances at the outset of the pandemic that they did not expect many new claimants to be subject to the benefit cap because of the grace period, but in fact the number affected by the cap has increased alarmingly, more than doubling from 80,000 in February 2020 to 170,000 households in August 2020.²

About Christians Against Poverty (CAP)

Christians Against Poverty (CAP) is a Christian charity tackling poverty in communities across the UK through free debt help and local community groups. CAP provides award-winning free debt help through local churches. Each church's CAP Debt Centre offers emotional and practical support, while our head office team in Bradford provides bespoke debt advice and a plan to help people get out of debt.

CAP also offers community groups dedicated to tackling poverty at the root. These are run through local churches, and cover topics such as, interview skills, applying for a job and writing a CV, breaking free from dependencies or overcoming a habit, how to budget, making money go further and key life skills.

March 2020, and set at the average household spending of households in the third income decile. This is to reflect the living standards of households in the UK with a modest but above poverty line income.

² DWP official statistics, benefit cap: number of households capped to May 2020 (published August 2020) and August 2020 (published November 2020).