



**Advice NI
Briefing Paper
Benefit Freeze
September 2019**

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Introduction

'Uprating' is increasing the value of benefits to account for inflation. In 2011, the then Government changed the measure of inflation used in uprating, from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). From 2013, most working-age benefits (including payments for people in work, for disabled people in the ESA-WRAG group, and for housing benefit claimants in the private sector via Local Housing Allowance [LHA]) were uprated by just 1% ¹.

In 2015, George Osborne announced in the summer budget that working-age benefits would be frozen in cash terms until 2020. The Government said this was necessary because benefit growth had outstripped wage growth following the 2008 financial crisis: the freeze was framed as necessary to ensure "that it always pays to work". The outcome is that already low rates of benefit have become divorced from the real costs of living. By 2019, the Department had deprived claimants (or 'saved') £4.4 billion via the freeze: £0.9 billion more than it intended ².

Between 2016 and 2020, the benefit freeze will have affected more than 27 million people and swept 400,000 into poverty....In real terms, the support that people receive in 2019 will be worth 6.5% less than it would have been if it had risen with inflation ³.

The issue is that as the benefits amounts do not increase in line with inflation, the claimants are forced to budget with an out-of-date payment, which does not reflect the current cost of living. Meanwhile the cost of daily living [food, fuel etc] continues to rise. This inequity is more alarming considering that the only demographic that it affects is the one least able to shoulder the cost: vulnerable claimants including the disabled, unemployed, and low-income families, both with and without children.

The Trussell Trust and Joseph Rowntree Foundation are two of the leading UK charities [as well as 45 Scottish organisations⁴] which urged the Government to end the freeze.

The Work & Pension Committee recommends: From 2020/21, the Government should increase the rates of frozen benefits by CPI plus 2%. That would mean that benefit rates would, after four years, reach the level at which they would have been set if they had not been frozen. From that point, the Department should commit to uprating benefits at least in line with inflation. In addition, the Department should produce a medium-term plan for linking the rate at which benefits are set with the real cost of living ⁵.

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1. <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1539/1539.pdf>
 2. Ibid
 3. <https://www.jrf.org.uk/report/end-benefit-freeze-stop-people-being-swept-poverty>
 4. <https://childreninscotland.org.uk/children-in-scotland-backs-call-to-end-benefit-freeze/>

The [Work & Pensions] Committee has compiled evidence that shows that ending the benefits freeze a year early, [in 2019], would lift 200,000 people out of poverty. Households have seen significant actual cuts to their real income because of the various caps and freezes since 2010: a single earner couple with two children's income will fall by 0.7% in real terms, and an out-of-work lone parent with one child by 6.7% in real terms, between 2010/11 and 2019/20.

Ahead of the evidence hearing the Committee has written to Amber Rudd saying "the current freeze was originally designed to save £3bn... the Treasury would still make in-year savings of £2.5bn in 2019/20, even if the freeze was ended a year early. This, combined with the most recent monthly public borrowing figures showing a budget surplus of £14.9bn in January 2019—£5.6bn more than the surplus in January 2018, and the largest January budget surplus on record - lead the Committee to encourage the Secretary of State to "urge the Chancellor of the Exchequer to consider ending the benefit freeze a year early"⁶.

Frank Field stated: 'The most recent monthly public borrowing figures show a budget surplus of £14.9bn in January – £5.6bn more than the previous year, and the largest January budget surplus on record. The Government could immediately boost families' living standards, by using a fraction of that sum to end the era of the benefits freeze that has so wretchedly cut their spending power over the past decade'.⁷

However, despite widespread opposition:

For the fourth year in a row, most working-age benefits are being kept at their 2015/16 cash value. This is the final year of the four-year benefit freeze.

Increases in benefits aimed specifically at disabled people and carers will continue to be linked to CPI inflation, resulting in a 2.4% increase in 2019/20. The triple lock delivers a 2.6% increase to the new State Pension (£168.60 in 2019/20) and the Basic State Pension (£129.20). The Basic and New State Pensions will be uprated in line with the triple lock that was introduced in 2012/13, i.e. by the highest of the increase in earnings, price inflation. (as measured by the CPI) or 2.5%. For the purposes of the 2019/20 uprating, earnings growth (+2.6%) was the highest of these three benchmarks, meaning that:

- the New State Pension (for those reaching State Pension age on or after 6 April 2016) will be £168.60 per week in 2019/20 (up from £164.35 in 2018/19)
- the Basic State Pension (the core amount in the old State Pension system) will be £129.20 per week in 2019/20 (up from £125.95 in 2018/19).
- Pension Credit Guarantee Credit is required to increase at least in line with earnings; in 2019/20 it will also rise by 2.6%.
- Work Allowances in Universal Credit (the earnings threshold above which Universal Credit awards begin to be tapered down) are receiving an extra £1,000 increase (on top of normal CPI uprating). This was announced at Budget 2018.⁸

5 <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1539/1539.pdf>

6 <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry19/>

7 <https://inews.co.uk/opinion/the-benefits-freeze-has-saved-the-government-2-5-billion-while-pushing-families-into-destitution/>

Background

This table illustrates benefits uprating over the last decade, including the 4 year freeze:⁹

TABLE 3a - SOCIAL SECURITY BENEFITS - KEY OUT-OF-WORK BENEFITS FOR WORKING-AGE CLAIMANTS

£ per week	2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		2019-20	
	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.	£ per week	% incr.
ESA, Income Support, JSA (income-based)																				
Personal allowances (selected rates):																				
Single under 25/one parent under 18	51.85	+1.8	53.45	+3.1	56.25	+5.2	58.80	+1.0	57.35	+1.0	57.90	+1.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	57.90	+0.0
Single 25+ / one parent 18+	65.45	+1.8	67.50	+3.1	71.00	+5.2	71.70	+1.0	72.40	+1.0	73.10	+1.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	73.10	+0.0
Couple (both over 18)	102.75	+1.8	105.95	+3.1	111.45	+5.2	112.55	+1.0	113.70	+1.0	114.85	+1.0	114.85	+0.0	114.85	+0.0	114.85	+0.0	114.85	+0.0
Jobseeker's Allowance (contribution-based)																				
Under 25	51.85	+1.8	53.45	+3.1	56.25	+5.2	58.80	+1.0	57.35	+1.0	57.90	+1.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	57.90	+0.0
25 or over	65.45	+1.8	67.50	+3.1	71.00	+5.2	71.70	+1.0	72.40	+1.0	73.10	+1.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	73.10	+0.0
Universal Credit - Standard allowances^(a)																				
Single under 25	--	--	--	--	--	--	58.80	--	57.35	+1.0	57.90	+1.0	57.90	+0.0	57.90	+0.0	57.90	+0.0	57.90	+0.0
Single 25+	--	--	--	--	--	--	71.70	--	72.40	+1.0	73.10	+1.0	73.10	+0.0	73.10	+0.0	73.10	+0.0	73.10	+0.0
Couple, one or both over 25	--	--	--	--	--	--	112.55	--	113.70	+1.0	114.85	+1.0	114.85	+0.0	114.85	+0.0	114.85	+0.0	114.85	+0.0
allowances)																				
Work-related activity group component ^(b)	25.95	+1.8	26.75	+3.1	28.15	+5.2	28.45	+1.1	28.75	+1.1	29.05	+1.0	29.05	+0.0	29.05	+0.0	29.05	+0.0	29.05	+0.0
Support Group component	31.40	+1.8	32.35	+3.0	34.05	+5.3	34.80	+2.2	35.75	+2.7	36.20	+1.3	36.20	+0.0	36.55	+1.0	37.65	+3.0	38.55	+2.4
Incapacity Benefit																				
Long-term	91.40	+1.8	94.25	+3.1	99.15	+5.2	101.35	+2.2	104.10	+2.7	105.35	+1.2	105.35	+0.0	106.40	+1.0	109.60	+3.0	112.25	+2.4
Severe Disablement Allowance																				
Basic rate + higher age-related addition	74.45	+1.8	76.75	+3.1	80.70	+5.1	82.50	+2.2	84.75	+2.7	85.80	+1.2	85.80	+0.0	86.65	+1.0	89.25	+3.0	91.40	+2.4
Benchmarks for uprating																				
Retail Prices Index (RPI)		-1.4		+4.6		+5.6		+2.6		+3.2		+2.3		+0.8		+2.0		+3.9		+3.3
Consumer Prices Index (CPI)		+1.1		+3.1		+5.2		+2.2		+2.7		+1.2		-0.1		+1.0		+3.0		+2.4
Earnings ^(c)		+1.8		+2.0		+2.8		+1.6		+1.2		+0.6		+2.9		+2.4		+2.2		+2.6

Notes: % increases can differ slightly from the relevant uprating benchmark due to rounding and uprating conventions. (a) Universal Credit rates are expressed here in weekly amounts, however Universal Credit is paid monthly. See table 5 for the official monthly values of Universal Credit amounts. (b) ESA Work Related Activity Component was abolished for new claimants from April 2017. (c) Earnings growth measured by AELup to 2011-12 inclusive; AWE thereafter (AWE figure for 2011-12 was +1.3%).

Source: DWP, Proposed benefit and pension rates 2019-2020 and previous editions.

8 <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8458>

9 <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8458#fullreport>

Background

If we focus on one example: JSA for a single person over 25.

This has remained at £73.10/wk since 2015.

If this had increased by inflation each year, it would look like this: ¹⁰

	2015-16	2016-17	2017-18	2018-19	2019-20
£/wk	73.10	73.61	75.59	77.47	78.94
% increase	0	0.7	2.7	2.5	1.9

So if uprating had been implemented in line with inflation, the claimant would, in 2019, be over £5/wk better off, or £303.68/annum.

If the Government uses the current inflation figure [1.9%] on the current JSA award of £73.10, then it should be around £74.48/wk for 2020. Even with the freeze coming to an end, this obviously does not reflect the previous 4 years of inflation.

In 2018, the Office for National Statistics (ONS) stated wage growth excluding bonuses for the three months to September is now 3.2% ¹¹. Additionally, MPs are to receive a 2.7% pay rise from April, taking their salary to £79,468. The rise follows a 1.8% rise last year, 1.4% in 2017, 1.3% in 2016 and from £67,000 to £74,000, in 2015. ¹²

MPs on £79k are already paid twice the UK average salary [which is £36,611/annum ¹³], and yet are still given a pay rise, for the last four years, even though their weekly pay now equates to £1528.23 PER WEEK.

In a Universal Credit Policy Briefing Note ¹⁴, the first of the 'Core Objectives' is the following statement: 'A key aspect of the Universal Credit is that it should mimic work and receipt of a salary ¹⁵'. Arguably UC cannot hope to 'mimic work' if its payments do not reflect inflation.

Conclusion

- Government should end the freeze and apply an inflationary increase to benefits and Local Housing Allowance which is proportionate and addresses the hardship imposed on working age benefit claimants since 2016.
- Government should pledge to not apply a freeze on benefits in the future, as this policy punishes those who can least afford it.

¹⁰ This was calculated by establishing the average from monthly rates January-July 2019

¹¹ <https://www.rateinflation.com/inflation-rate/uk-historical-inflation-rate>

¹² <https://www.moneywise.co.uk/news/2018-11-13%E2%80%8C%E2%80%8C/british-workers-get-their-biggest-pay-rise-decade-wage-growth-speeds-32>

¹³ <https://www.bbc.co.uk/news/uk-politics-47405259>

¹⁴ <https://www.findcourses.co.uk/inspiration/average-salaries-uk/average-uk-salary-2019-15395>

¹⁵ 12 September, 2011

¹⁶ <https://webarchive.nationalarchives.gov.uk/20130125102853/http://dwp.gov.uk/docs/ucpbn-2-payment.pdf>



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