House of Commons

Work and Pensions Committee

The temporary increase in Universal Credit and Working Tax Credit

Fourth Report of Session 2019–21

Report, together with formal minutes relating to the report

Ordered by the House of Commons to be printed 5 February 2021

HC 1193
Published on 9 February 2021
by authority of the House of Commons

Work and Pensions Committee

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1 Introduction

Background

1. On 20 March 2020, in response to the coronavirus pandemic, the Chancellor announced that the Universal Credit (UC) standard allowance would increase by about £1,000 per year (£20 per week) for the following twelve months. He also announced that the basic element of Working Tax Credit (WTC) would increase by the same amount and for the same period.[1]

2. We are now approaching the end of that twelve month period. The spread of coronavirus and the measures taken to curb it continue to have a significant impact on our economy. The Government has not yet confirmed whether the temporary increase to Universal Credit and Working Tax Credit will come to an end as planned. The Government has given some indications that we may need to wait until the Budget on 3 March for a decision. Meanwhile, rumours about options being considered by Ministers are circulating in the press. We are making this report to the House as a matter of urgency, with a view to influencing the Government's decision-making.

Our previous recommendations

3. We considered the question of the increase to Universal Credit as part of our inquiry into the wait for a first payment of UC, on which we published a report in October 2020.[2] We concluded that DWP had been right to increase the standard allowance for Universal Credit—as well as support for housing costs—as part of its response to the pandemic. We noted that:

> Benefit rates, and in particular support for housing costs, had become detached from the actual cost of living—in particular from the cost of private rents—and people were struggling to find a home for their family and to meet the costs of basic essentials.[3]

We recommended that:

> *The Department should commit to maintaining the increases in support that have been provided during the pandemic. This should include keeping Local Housing Allowance at the 30th percentile and conducting an annual review of rates to ensure they remain appropriate for each area. It should maintain the £20 a week increase in standard allowance for Universal Credit and Working Tax Credit, with annual inflation-based increases thereafter.*[4]

1 HM Treasury, 'Chancellor announces workers' support package', 20 March 2020
2 Work and Pensions Committee, Third Report of Session 2019–21, Universal Credit: the wait for a first payment, HC 204
3 Work and Pensions Committee, Third Report of Session 2019–21, Universal Credit: the wait for a first payment, HC 204, para 122
4 Work and Pensions Committee, Third Report of Session 2019–21, Universal Credit: the wait for a first payment, HC 204, para 122

4. In response to this recommendation, the Department said that:

> As the Committee would expect, the Government will continue to assess how best to support families and the economy against the national picture, as we have done throughout the pandemic. Decisions will be made at the appropriate fiscal event and we will ensure Parliament is updated as necessary.[5]

This report

5. For reasons of time, this report is focused only on the temporary increase to Universal Credit and Working Tax Credit. That does not mean, however, that we are not concerned about other elements of the social security system. In particular, we are conscious that people on legacy benefits—including many disabled people—have not received any increase directly as a result of the coronavirus pandemic. We recommended in June 2020 that those benefits should be increased by an amount equivalent to the increases in Universal Credit and Working Tax Credit.[6] We were disappointed that the Government rejected that recommendation, and we will continue to press Ministers on that and other recommendations.

6. In preparing this report, we heard evidence from frontline support organisations and policy experts on 2 February, and we are grateful to them for giving up their time at short notice to assist us with our work. We also put questions on this subject to the Secretary of State and the Permanent Secretary on 3 February. As ever, we thank them for their willingness to give evidence to the Committee.

5 Work and Pensions Committee, Third Special Report of Session 2019–21, Universal Credit: the wait for a first payment: Government Response to the Committee's Third Report, HC 1117

6 Work and Pensions Committee, First Report of Session 2019–21, DWP's response to the coronavirus outbreak, HC 178

2 The impact of removing the increase

7. In introducing the temporary increase, the Chancellor was clear that his intention was "to strengthen the safety net".[7] He said that he was increasing the standard allowance in Universal Credit, together with the basic element of Working Tax Credit, and that these two measures would "benefit over 4 million of our most vulnerable households".[8]

Impact on household budgets

8. Household budgets continue to be stretched thin as a result of the pandemic. In a January 2021 article, Citizens Advice described the temporary increase in UC and WTC as "one of the government's most successful pandemic policies".[9] It said, however, that:

> At Citizens Advice, we've helped over 300,000 people with a Universal Credit issue since [the pandemic began]. Most striking has been the impact for those we've helped who have a 'negative budget'—people whose necessary outgoings exceed their income. They look at their bank balance at the end of the week and they simply don't have enough to make ends meet.
>
> One of the main factors holding back financial ruin for many of these families is the uplift. If it was removed, we'd be seeing a much higher rate of Universal Credit and Working Tax Credit claimants not being able to afford basic necessities—increasing from 43% to 75%.[10]

9. Laura Peters, Head of Advice and Information Services at Rethink Mental Illness, told us that:

> A lot of our clients have been struggling for a long time with balancing their budgets, so it has always been very difficult for them to make sure that they have enough money to pay their utility bills and put food on the table—and that was before the pandemic.[11]

She explained that people had seen their living costs rise because of the pandemic, saying that:

> A lot of people with mental illness are classed as clinically vulnerable and it has given them less choice in things like where they shop, for example. Some of our beneficiaries do not want to get on the bus and go to a supermarket. Some of them are ordering in their shopping, which they would not normally do. They are shopping at more local places, which can be more expensive. They have seen a real increase in their outgoings because they are clinically vulnerable. This money has been really important to them.[12]

7 HM Treasury, Speech: The Chancellor Rishi Sunak provides an updated statement on coronavirus, 20 March 2020
8 HM Treasury, Speech: The Chancellor Rishi Sunak provides an updated statement on coronavirus, 20 March 2020
9 Citizens Advice, The Chancellor has an important decision to make – he must keep the lifeline, 15 January 2021
10 Citizens Advice, The Chancellor has an important decision to make – he must keep the lifeline, 15 January 2021
11 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q359
12 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q359

10. Peter Tutton, Head of Policy, Research and Public Affairs at StepChange, told us that StepChange had estimated that, without the temporary increase, three quarters of its clients who were claiming Universal Credit would have a negative budget—that is, their outgoings would exceed their income. With the increase, he said, "over half of our clients on Universal Credit can make ends meet and can afford to pay their ongoing bills."[13] He explained that, when people have negative budgets, "their debts are likely to continue to grow because they will not be able to pay their rent, their council tax or their fuel bill, or buy food for kids and all that kind of stuff."[14] He added:

> The point of a negative budget is so important and the £20 uplift addresses that directly. It is money into people's budgets that they don't otherwise have that enables them to pay for essentials that otherwise they will not be able to do. The support is direct and meaningful.[15]

11. James Heywood, Head of Welfare and Opportunity at the Centre for Policy Studies, also argued against removing the temporary increase as planned in April 2021, on the grounds that:

> Claimants would not have sufficient notice of the change in income, and since there may still be significant Covid-19 restrictions in place the circumstances which led to the uplift being introduced will still persist.[16]

Impact on numbers of people in poverty

12. Analysis by the Joseph Rowntree Foundation (JRF) has concluded that withdrawing the temporary increase "will risk sweeping 700,000 more people, including 300,000 more children, into poverty".[17] It also found that "500,000 more people could end up in deep poverty (more than 50% below the poverty line)."[18] The JRF explained that:

> Our latest UK Poverty monitor shows that people who were already more likely to be in poverty were most affected by the economic storm caused by COVID-19: workers in low-wage sectors or part-time jobs, people living in areas with higher rates of deprivation, families with children, disabled people, or those from BAME backgrounds. Many of these groups will lose out the most as a result of cutting away the £20 lifeline.
>
> […] Losses will disproportionately be shouldered by families on low incomes, with around 60% of the families who lose out being in the bottom 30% of the income distribution. Families with children will be disproportionately impacted, particularly single-parent families: around 60% of all single parent families in the UK will experience this overnight cut to their incomes.[19]

13 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q359
14 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q359
15 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q359
16 Centre for Policy Studies, The Universal Credit Uplift: The Way Forward, 24 January 2021
17 Joseph Rowntree Foundation, Autumn Budget - why we must keep the £20 social security lifeline, 9 December 2020
18 Joseph Rowntree Foundation, Autumn Budget - why we must keep the £20 social security lifeline, 9 December 2020
19 Joseph Rowntree Foundation, Keep the lifeline: why the Government should keep the £20 uplift to Universal Credit, January 2021

13. JRF also concluded that the greatest impact of not extending the increase would be felt in the North of England, Wales, the West Midlands and Northern Ireland, noting that these are "areas that already had high rates of poverty and have been worst affected by this economic downturn".[20] An October 2020 report by Loughborough University found that, even before the pandemic, in some areas of the country the majority of children were growing up in poverty once housing costs had been taken into account.[21] The report found that the highest concentrations of children living in poverty were in London and Birmingham. Commenting on the report, Professor Donald Hirsch (Director, Centre for Research in Social Policy at Loughborough University) said:

> This evidence shows that even before COVID, child poverty was rising alarmingly in many areas of the country. For example, in Leicester, it rose from just under three children in ten (29%) to nearly four children in ten (38%), between 2015 and 2019. The COVID crisis has helped to highlight what it means to grow up in a low-income family, with many families now finding it hard to meet basic needs and the use of foodbanks rising.[22]

14. The Resolution Foundation published its Living Standards Outlook report for 2021 on 18 January. It concluded that:

> Rising unemployment and the removal of the £20 uplift in 2021- 22 will also lead to a further 1.2 million people falling into relative poverty (defined as those in a household with less than 60 per cent of median income), 400,000 of whom are children. This would be the biggest year-on-year rise in poverty rates since the 1980s.

Looking further ahead, in an article published to coincide with the publication of its Living Standards Outlook, the Resolution Foundation concluded that:

> The withdrawal of the UC uplift would drive up relative poverty from its current estimated level of 21 per cent to 23 per cent by 2024–25, while a further 820,000 children would fall into poverty.[23]

We recognise that there is strong evidence suggesting that reductions in social security support can have an adverse impact not just on household income, but on wider mental health and wellbeing.

Personal experiences

15. In April 2020, we asked people to respond to a survey about their experiences of the benefits system during the coronavirus outbreak. We heard from people then that their living costs had increased as a result of the restrictions brought in to tackle coronavirus.[24] Nearly a year later, the personal experiences of people claiming Universal Credit continue

20 Joseph Rowntree Foundation, Keep the lifeline: why the Government should keep the £20 uplift to Universal Credit, January 2021

21 Donald Hirsch and Juliet Stone, Loughborough University, Local indicators of child poverty after housing costs, 2018/19, October 2020

22 Loughborough University, Press release: 'New data shows child poverty rates have risen sharpest in the Midlands and the North', 14 October 2020

23 Resolution Foundation, Living standards hit from Covid-19 crisis is ahead rather than behind us, 18 January 2021

24 Work and Pensions Committee, What we learned from our survey into people's experiences of the benefits system during the coronavirus outbreak, April 2020

to be of crucial importance in the debate about the temporary increase. The Joseph Rowntree Foundation has published a collection of quotations from people who have experience of poverty and Universal Credit. A selection of those quotations follows:

> The £20 uplift to Universal Credit has meant I have just about managed to keep my head just above water. I'm living day to day trying to pay my bills and keep my house warm for my child. Taking this away now or in six months means I will be drowning in debt. I can't purchase oil to heat my home if I am down £100 a month. I live in a rural area so I can't get out to large stores to purchase cheaper food which means I'm paying more. (Female, Northern Ireland)

> We've relied heavily on food banks, charitable donations and mutual aid but their funds are running out. That £20 is often the difference between light and heat or no light and heat. If you don't have gas, you can't cook. (Female, London)

> My money went up a few months ago with the £20 extra but I've also had deductions. I am aware of the extra–if it wasn't for that I don't know how I would survive. Living on Universal Credit is hard; it's extremely hard. It is literally living day to day and working out where my next food is coming from. How do I put the electric and gas on? It is horrible. It is a matter of surviving. (Male, Leeds)[25]

16. **When the Chancellor announced the temporary increase in March 2020, few of us imagined that we would still be in the grip of the coronavirus pandemic nearly a year later. Since March, the number of people claiming Universal Credit has risen from 3 million to around 6 million. The numbers of job vacancies remain far below their pre-pandemic levels. Removing the increase now, while the impact of the pandemic is still being keenly felt, would plunge hundreds of thousands of households, including children, into poverty. For the millions already living in poverty, it would drag them down into destitution.** ***We urge the Government not to end the temporary increase in Universal Credit and Working Tax Credit, as planned, on 6 April 2021.***

25 Joseph Rowntree Foundation, People's experiences of the COVID-19 pandemic and the Universal Credit uplift, January 2021

3 One-off payments

17. Since mid-January there have been rumours that the Chancellor was considering replacing the £20 a week increase with a one-off payment. *The Times* reported on 16 January that the Chancellor had "drawn up plans to give nearly six million people a one-off £500 benefit payment".[26] The following weekend, reports suggested that the one-off payment could be £1000 instead.[27] The Secretary of State told us that the Department had been asked to supply information on what this option might cost. That confirms to us that this is an option being considered seriously in government.

18. The Secretary of State told us that a one-off payment was not "one of the Department's preferred approaches on providing that financial support".[28] She noted that "there are some challenges about fraud", and that there would also be difficulties if people claiming tax credits received a one-off payment and then moved to Universal Credit shortly afterwards. On the question of what might work best for claimants, she told us that "Previous experience would be that a steady sum of money would probably be more beneficial to claimants and customers, to help with that budgeting process".[29] She added, however, that she "wouldn't say no to a one-off payment, if in the end that was the decision that was taken, because it still would be financial support".[30]

Supporting claimants

19. The frontline organisations who gave evidence to us shared the Secretary of State's view that regular payments, rather than one-off sums, were the most effective form of support. Minesh Patel, Principal Policy Manager at Citizens Advice, told us:

> We find that having a stable regular income is the best way to support people to budget and manage their money. In research we have carried out, people tell us that having a stable income is the thing that gives them most security in life. We think that the best way to do that is through maintaining a regular payment through Universal Credit rather than a lump-sum payment, which can throw off people's budgets and how they manage their money.[31]

20. We asked witnesses from frontline organisations whether a one-off payment could be helpful for people struggling with debt. Peter Tutton, Head of Policy, Research and Public Affairs at StepChange, explained to us that StepChange's clients had on average "overdrafts of £1,300 and credit card debts of £5,000".[32] He warned us that there was "some danger that a lump sum might get snarled up in debt repayment".[33] He explained that:

26 The Times, 'Rishi Sunak plans £500 gift for benefit claimants to avoid Tory uprising', 16 January 2020
27 See for example: The Telegraph, Rishi Sunak doubles one-off payment offer for universal credit claimants to £1,000, 23 January 2021; Daily Express, Universal Credit: Rishi Sunak 'drawing up plans' for claimants to get one-off £1k payment, 19 January 2021; Metro, Universal Credit boost 'could be replaced by one-off £1,000 payment', 24 January 2021
28 Oral evidence taken on 3 February 2021, HC (2019–21) 178, Q 415
29 Oral evidence taken on 3 February 2021, HC (2019–21) 178, Q 416
30 Oral evidence taken on 3 February 2021, HC (2019–21) 178, Q416
31 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q362
32 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q364
33 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q364

> If that is repaying their credit debt, which debt advisers call non-priority debt, and as a result people can't pay their rent because their monthly income has dropped and they have a budget deficit, they are worse off than they were before. It would be an odd situation if people's credit debts were being paid but they were falling behind on things like rent and council tax and could not pay for food. That is the worry about that.[34]

Risks for people with mental ill health

21. A one-off payment could also be dangerous for some groups of claimants. Laura Peters, Head of Advice and Information Services at Rethink Mental Illness, told us:

> For some people where overspending might be a symptom of their mental illness […] there is a real risk that they could receive a lump sum at a point where they would spend it in ways that are not sensible.[35]

She added that "often mental health problems can co-exist as substance abuse problems and there is a real risk that a lump sum could even cause somebody to relapse into substance abuse problems", concluding that "there are very particular risks with a lump sum for people with mental ill health."[36]

Financial abuse

22. Universal Credit is paid as a single payment to a household. Claimants can ask for payments to be split, but such arrangements are rare. Our predecessor Committee heard evidence that single household payments can exacerbate the risk of financial abuse.[37] We asked witnesses whether a one-off payment might create further risks. Minesh Patel of Citizens Advice told us that:

> It is definitely a real challenge. What is not clear is whether you would be able to feasibly split a one-off payment for two members in a household. […] There is also the risk with things like financial abuse where somebody could take a huge chunk of money when going through a lump-sum payment, compared with smaller payments through the weekly uplift.[38]

Laura Peters of Rethink Mental Illness agreed: "Reiterating what Minesh said, there is already a risk of financial abuse with the Universal Credit system and that would be worsened by people receiving a lump sum."[39]

34 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q364
35 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q363
36 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q363
37 Work and Pensions Committee, Seventeenth Report of Session 2017–19, Universal Credit and domestic abuse, HC 1166
38 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q371
39 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q372

Fairness and perverse incentives

23. The Government has not published any plans for one-off payments, and so it is not clear exactly how it would decide who was eligible for a payment. But it seems inevitable that a payment would go only to people claiming Universal Credit at a particular moment in time, and that people making new claims after that point would not be eligible for the payment.

24. There is a consensus that unemployment is expected to rise during 2021, especially if the Government's furlough scheme ends as planned at the end of April 2021. In its November 2020 Economic and Fiscal Outlook, the Office for Budget Responsibility anticipated "a significant rise in unemployment—to 7.5 per cent in our central forecast—as [Government support] is withdrawn in the spring."[40] That is likely to mean hundreds of thousands of people making new claims for Universal Credit after April 2021, but who would not receive any additional support.

25. Iain Porter of the Joseph Rowntree Foundation told us that "a one-off payment at a point in April or whenever it is makes no sense" because, as he explained:

> People who lose their job or lose their income after whatever random cut-off date is picked—we know that unemployment will rise further this year and will stay very high at least for the year—will be missing out on that support altogether.[41]

He also explained that a one-off payment could have "very perverse effects", suggesting that, for example, "someone may get this one-off payment at that point and then manage to secure a job the next day. In a policy sense, that £1,000 bonus or whatever it is would be wasted".[42]

26. It is also difficult to see how the Government could justify giving a one-off payment to claimants of Universal Credit and Working Tax Credit, but not to people claiming legacy benefits. People on existing benefits have also faced additional costs because of the coronavirus pandemic; a recent survey by the Disability Benefits Consortium of disabled people claiming legacy benefits found that "two thirds (67%) of disabled claimants have had to go without essential items at some point during the pandemic" and that "almost half (44%) of disabled claimants are reporting being unable to meet financial commitments such as rent and household bills".[43]

27. The Secretary of State explained to the House on 4 May 2020 that it is operationally difficult for the Department to change the rates at which legacy benefits are paid.[44] The Department does, however, make an annual one-off Christmas bonus payment to people who are claiming some non-UC benefits—including Personal Independent Payment, Carer's Allowance and Disability Living Allowance.[45] On that basis, it is hard to see why the Government could not make a one-off payment to people claiming legacy benefits.

40 Office for Budget Responsibility, Economic and Fiscal Outlook - November 2020, para 1.5
41 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q386
42 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q386
43 Disability Benefits Consortium, Pandemic Poverty, 3 February 2020
44 HC Deb, 4 May 2020, col 425
45 Department for Work and Pensions, Christmas Bonus, Eligibility (accessed 3 February 2020)

Work incentives

28. There have been suggestions that maintaining the £20 a week increase could act as a disincentive to work. James Heywood of the Centre for Policy Studies told us that "It is patently true that a blanket uplift in benefits across the board does have an impact on work incentives", arguing that "it simply does that because it means that out-of-work incomes are higher relative to in-work incomes."[46] He referred to the view of the Institute for Fiscal Studies, which argued in its October 2020 Green Budget that "increasing the standard allowance also weakens work incentives, as it means that out-of-work incomes become larger relative to in-work incomes."[47] It described the varying impact on different groups of claimants as follows:

> Work incentives are weakened the least for richest individuals, both because the £1,000 increase makes up a smaller share of their in-work income and because other income sources mean that the family might not be entitled to UC even if one worker stopped working. The weakening of work incentives is the greatest for those in low- to middle-income families, while the impact on the work incentives of the poorest families is smaller; these families are more likely to be on UC whether or not they work, and so gain from the standard allowance increase either way.[48]

29. Other witnesses took a different view. Minesh Patel, Principal Policy Manager at Citizens Advice, said:

> On the point about incentives around work, two fifths of people on Universal Credit are already in some form of employment, so it is not fair to say that the Universal Credit uplift disincentivised work. People on benefits can work and want to work, and what is important is making sure that people have the income stability and right level of income to progress in work.[49]

Professor Donald Hirsch of Loughborough University told us:

> Can I say that I do not agree with this thing about work incentives? Yes, technically there is a specific way in which giving everybody on Universal Credit £20 reduces the work incentive. That is if somebody goes from not working to working but not needing Universal Credit—earning quite a bit—they will lose that £20. However, for that sort of person, income will go up by at least a third, and probably double in most cases.[50]

Iain Porter from the Joseph Rowntree Foundation argued that:

> This point about work incentives being a big issue to worry about at the moment is wrong. As [Professor Hirsch] explains, and as we say and as your previous witnesses said, Universal Credit—credit to the Government and credit to DWP for what seems to have been quite a successful operation

46 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q381
47 Institute for Fiscal Studies, Green Budget 2020, Chapter 8: The temporary benefit increases beyond 2020–21, October 2020
48 Institute for Fiscal Studies, Green Budget 2020, Chapter 8: The temporary benefit increases beyond 2020–21, October 2020
49 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q374
50 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q384

> system during the pandemic—is quite well designed to be very effectively targeted, so I would like to scotch this idea that it is not a targeted support mechanism.[51]

30. We asked the Secretary of State for her view on whether maintaining the temporary increase could have an impact on work incentives. She told us very clearly that she did not think that the increase reduced work incentives, and explained that "internal analysis across Government suggests it would not be a disincentive."[52] She added that "it is important to keep reminding people that, in effect, the whole purpose of universal credit is about getting people back into work and encouraging them to work."[53]

31. **We share the Secretary of State's view, echoed by evidence from front line support organisations, that a steady income is the best way to support people. Like her, we are concerned that one-off payments could increase the risk of fraud. We are also concerned about the risks that one-off payments can create for some vulnerable people, including people with some mental illnesses.**

32. **We were encouraged to hear from the Secretary of State that one-off payments are not DWP's preferred approach, but they nevertheless seem to be an option that the Government is actively considering.** ***We urge the Government to abandon any plans for a one-off payment to claimants of Universal Credit and Working Tax Credit.***

51 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q384
52 Oral evidence taken on 3 February 2021, HC (2019–21) 178, Q413
53 Oral evidence taken on 3 February 2021, HC (2019–21) 178, Q413

4 Our proposed way forward

33. We are mindful that continuing the temporary increase, whether as a further temporary measure or on a permanent basis, would come at a substantial cost. The Institute for Fiscal Studies (IFS) has concluded that making the increase permanent would "in the long run, cost the government £6.6 billion per year (in today's prices), adding roughly 10% to the annual cost of UC".[54] The Joseph Rowntree Foundation has estimated that keeping the £20 increase to UC and WTC would cost around £6.4bn in 2021/2022.[55] These estimates assume that the number of people claiming Universal Credit will stay broadly the same during the financial year 2021/22. The actual cost could be much lower if, as we hope, the Government's plans to support people back into work—including the Kickstart and Restart schemes, as well as wider employment support—are successful in substantially reducing the numbers of people who need to rely on the social security system.

34. These are substantial sums of public money. But they must be seen in context. Professor Donald Hirsch of Loughborough University expressed this for us in terms on the impact on individual claimants, saying:

> Let's put this in context. We are talking about people who have then had further cuts because of the benefits freeze and who without the £20 were having to live on £10 a day, £70-odd a week, and this is allowing them to live on £13 a day. It is a significant proportionate boost to an incredibly low income.[56]

35. Iain Porter of the Joseph Rowntree Foundation told us:[57]

> The value of the social security system that is supposed to be there to protect us from these risks of being pulled under has been subjected to years of cuts and freezes that have eroded the value of the support that you get. It is at the lowest level since around 1990 in real terms. For the support you get if you lose your job, as a proportion of average earnings or even minimum earnings, it is pretty much at the lowest point ever.[58]

36. In terms of overall spending, total spending on coronavirus measures this year is over £280 billion.[59] Annual spending on benefits for people of working age is expected to be £85.3 billion in 2020/21.[60] In a report published in November 2019, the Resolution Foundation concluded that:

54 Institute for Fiscal Studies, Green Budget 2020, Chapter 8: The temporary benefit increases beyond 2020–21, October 2020
55 Joseph Rowntree Foundation, Keep the lifeline: why the Government should keep the £20 uplift to Universal Credit, January 2021
56 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q387
57 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q387
58 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q387
59 HM Treasury, Spending Review 2020, CP 330, November 2020
60 Department for Work and Pensions, Benefit expenditure and caseload tables 2020, Outturn and forecast: Autumn Budget 2020

> Focusing on the major cash benefit changes since 2010 (some of which are still being rolled out), we estimate that social security spending will be around £34 billion lower in 2023–24 than it would have been if the 2010 social security system had remained in place.[61]

Options for temporary measures

37. Recognising the difficulties of making long-term fiscal decisions in the current circumstances, we heard various proposals for temporary measures to extend the increase. James Heywood, Head of Welfare and Opportunity, Centre for Policy Studies, has proposed replacing the £20 a week increase with a "Coronavirus Hardship Payment" from April 2021.[62] That payment would be equivalent to the £20 a week increase for a further six months and could be followed by a three month "phasing out" period at half the value.[63] He explained that the period of six months had been chosen because:

> Our feeling was that that is the sort of time where we are expecting that once the vaccination programme has been properly rolled out, the economy should be gradually returning to normal and employment should be rising again.[64]

38. Other witnesses argued that the increase should, at a minimum, be kept for another 12 months. Minesh Patel, Principal Policy Manager at Citizens Advice, told us:

> At the very least, if the uplift is not made permanent, we think it needs to be in place for at least 12 months while we go through the tricky part of recovery from this crisis. […] There are no indicators at this stage to show that we are going to be out of the woods for labour market recovery by the autumn.[65]

39. The Joseph Rowntree Foundation (JRF) has made a similar proposal. Like Citizens Advice, it believes that the increase should be made permanent, but concludes that "it must, at a minimum, be kept at least for the 2021/22 financial year if it is to achieve its stated aim of protecting people's incomes when the worst happens."[66] It argues that:

> Extending the uplift for the next financial year would provide certainty for families and policymakers now and support the economy through another very difficult year. It will allow decisions about the future of support beyond that to be made at a more appropriate time, such as the autumn fiscal events where the Government can set out tax and benefit rates for the following April with reasonable notice.[67]

61 Resolution Foundation, The shifting shape of social security: Charting the changing size and shape of the British welfare system, November 2019
62 Centre for Policy Studies, The Universal Credit Uplift: The Way Forward, 24 January 2021
63 Centre for Policy Studies, The Universal Credit Uplift: The Way Forward, 24 January 2021
64 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q382
65 Oral evidence taken on 2 February 2021, HC (2019–21) 178, Q376
66 Joseph Rowntree Foundation, Short-term fixes will fail to be a lifeline for families on Universal Credit, February 2021
67 Joseph Rowntree Foundation, Short-term fixes will fail to be a lifeline for families on Universal Credit, February 2021

JRF also argues that "any extension of less than a year will fail to respond to the economic reality, instead hampering our recovery and trapping families in poverty."[68]

40. **We stand by our recommendation—made in October 2020—that the increase in Universal Credit should be maintained, with annual inflation-based increases. But we recognise that, in the short term, the Chancellor faces some very difficult decisions about the public finances amid a great deal of uncertainty about the future. We have considered carefully whether the increase should last only for the duration of the effects of the pandemic, but we are conscious that the Chancellor in his Budget statement will need to make a specific announcement.** ***We therefore recommend that, if the Chancellor cannot yet commit to making the increase permanent, he should at the very least extend it for a further 12 months. The Government should then announce its future plans for the rate of Universal Credit no later than the Autumn Statement 2021, to give claimants enough time to plan and budget.***

68 Joseph Rowntree Foundation, Short-term fixes will fail to be a lifeline for families on Universal Credit, February 2021

Conclusions and recommendations

The impact of removing the increase

1. When the Chancellor announced the temporary increase in March 2020, few of us imagined that we would still be in the grip of the coronavirus pandemic nearly a year later. Since March, the number of people claiming Universal Credit has risen from 3 million to around 6 million. The numbers of job vacancies remain far below their pre-pandemic levels. Removing the increase now, while the impact of the pandemic is still being keenly felt, would plunge hundreds of thousands of households, including children, into poverty. For the millions already living in poverty, it would drag them down into destitution. *We urge the Government not to end the temporary increase in Universal Credit and Working Tax Credit, as planned, on 6 April 2021.* (Paragraph 16)

One-off payments

2. We share the Secretary of State's view, echoed by evidence from front line support organisations, that a steady income is the best way to support people. Like her, we are concerned that one-off payments could increase the risk of fraud. We are also concerned about the risks that one-off payments can create for some vulnerable people, including people with some mental illnesses. (Paragraph 31)

3. We were encouraged to hear from the Secretary of State that one-off payments are not DWP's preferred approach, but they nevertheless seem to be an option that the Government is actively considering. *We urge the Government to abandon any plans for a one-off payment to claimants of Universal Credit and Working Tax Credit.* (Paragraph 32)

Our proposed way forward

4. We stand by our recommendation—made in October 2020—that the increase in Universal Credit should be maintained, with annual inflation-based increases. But we recognise that, in the short term, the Chancellor faces some very difficult decisions about the public finances amid a great deal of uncertainty about the future. We have considered carefully whether the increase should last only for the duration of the effects of the pandemic, but we are conscious that the Chancellor in his Budget statement will need to make a specific announcement. *We therefore recommend that, if the Chancellor cannot yet commit to making the increase permanent, he should at the very least extend it for a further 12 months. The Government should then announce its future plans for the rate of Universal Credit no later than the Autumn Statement 2021, to give claimants enough time to plan and budget.* (Paragraph 40)

Formal minutes

Friday 5 February 2021

Members present:

Rt Hon Stephen Timms, in the Chair

Debbie Abrahams	Selaine Saxby
Shaun Bailey	Dr Ben Spencer
Steve McCabe	Chris Stephens
Nigel Mills	Sir Desmond Swayne

Draft Report (*The temporary increase in Universal Credit and Working Tax Credit*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 40 read and agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Thursday 11 February at 9.15am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Tuesday 02 February 2021

Minesh Patel, Principal Policy Manager, Citizens Advice; **Laura Peters**, Head of Advice and Information Services, Rethink Mental Illness; **Peter Tutton**, Head of Policy, Research and Public Affairs, StepChange — Q357–379

James Heywood, Head of Welfare and Opportunity, Centre for Policy Studies; **Professor Donald Hirsch**, Director, Centre for Research in Social Policy, Loughborough University; **Iain Porter**, Social Security Policy and Partnerships Manager, Joseph Rowntree Foundation — Q380–402

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2019–21

Number	Title	Reference
1st	DWP's response to the coronavirus outbreak	HC 178
2nd	The appointment of Dr Stephen Brien as the Chair of the Social Security Advisory Committee	HC 733
3rd	Universal Credit: the wait for a first payment	HC 204
1st Special	DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report	HC 732
2nd Special	The two-child limit: Government Response to the Committee's Third Report	HC 1079
3rd Special	Universal Credit: the wait for a first payment: Government Response to the Committee's Third Report	HC 1117