

Briefing: end the benefit freeze to stop people being swept into poverty

Our public services provide crucial support when we most need it. Most of us rely on the NHS, social security, the police and other services when we experience poor health, have young children or can't find a job, when circumstances sweep us off course and we need help to stay afloat. In today's modern labour market, social security is particularly vital for working parents. Increasing numbers find that work does not provide enough income to support a family due to low pay, low hours and the need to balance paid work with caring responsibilities. It helps people cope with high costs; such as families on low incomes trapped in high-rent homes, or disabled people facing additional costs for heating, equipment and travel.

The freeze on most working age benefits and tax credits has led to vital support falling further behind the rising cost of living. It is unacceptable that the incomes of millions are being squeezed, and the system that should help them stay afloat is pulling them into poverty. This briefing sets out how ending the freeze would help make the social security system more effective and enable more people to find a route out of poverty.

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What you need to know:

1. Between 2016 and 2020, the benefit freeze will have affected more than 27 million people and swept 400,000 into poverty.
2. Lifting the freeze in April 2019 would help almost all UK families with children.
3. Working families locked in poverty who have children would gain the most.

How has the freeze affected families?

The 2015 Budget introduced a four-year freeze on most working-age benefits and tax credits. This meant that in 2016 and onwards their value remained as it had been in 2015 rather than rising with inflation.

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, as is usually the case.

After three years of the freeze, people in poverty are on average £340 a year worse off than they would have been had this support not been eroded by the freeze. That's equivalent to the average cost of food shopping for a low-income family for around eight weeks.

Families on low incomes disproportionately spend their incomes on essentials – especially food, electricity and bus transport. This means that when prices rise and incomes don't keep pace they are left cutting back on essentials and facing increasing hardship.

Around 200,000 people have been pulled into poverty by the first three years of the freeze, around half of them children.

Case study

“Before the benefits freeze, I could just about manage to pay my bills and feed myself every fortnight, but that was probably also due to being on Disability Living Allowance (DLA) at the time as well.

“As the freeze continued, I was deemed ‘not disabled enough’ to continue to receive DLA as I transitioned to Personal Independence Payment (PIP), which obviously stretched my income to its limit. As long as I budgeted properly and did not stray from that, I could pretty much scrape through from payment to payment.

“Now in its final year, things are worse than they've ever been ... before, there would have been the occasionally miraculous situation where I could manage to save a few pounds. As the freeze has continued, those opportunities have become even fewer and further apart, and it is now a regular occurrence for me to run out of money days before my next payment. I am desperate to improve my life despite my additional support needs, but this is only a realistic achievement when benefits are paid in line with inflation, at the very least.

“Since the benefit freeze, I have been choosing between eating, heating, paying bills to dealing with another essential need/emergency. It's not right that the cost of living continues to increase, while benefits have remained static. It is cruel and unrealistic to expect people to break free of poverty, while doing nothing to make this an achievable outcome.

“Benefit rates may have been frozen for the last four years, but energy prices, food, clothing and transport costs have all continued to rise. How can we claim to be a compassionate society when we are allowing the most vulnerable and in need, to be continuously pushed further into the grip of poverty. We need action/change now, as things are already totally unbearable.”

Ashley, 42, single ESA claimant, no children.

The freeze is due to enter its fourth year on 8 April 2019. If the freeze does not end until April 2020 (as currently planned), it will have increased the number of people in poverty by **400,000** and affected **27 million** people, including 11 million children. The vast majority of those affected live in working families with children. People living in poverty will be on average £560 worse off, equivalent to around three months of food shopping for an average low-income family.

End the freeze to support struggling families

We are calling on the Government to end the freeze a year early and raise benefits and tax credits in line with inflation on the 8 April 2019. After years of high inflation and stagnating incomes, many families have almost been pulled under. It is simply unacceptable for the Government to continue to reduce support at a time when a rising tide of poverty is already sweeping more and more families with children into impossible situations.

Lifting the freeze in 2019 would enable 200,000 people to break free from poverty. It would provide a particularly large boost to the incomes of the 8 million people in poverty who live in families with children. These families would gain by an average of £270 a year; 4.3 million children in poverty would gain, of whom 3.2 million live in low-income working families.

The move would help to support the vast majority of families with children in the UK – more than 9 out of 10 single-parent families, and more than 8 out of 10 couple-parent families would see their incomes rise.

The cost of lifting the freeze in 2019 would be £1.4 billion. This is substantially less than the £2.79 billion cost in 2019/20 of raising the income tax personal allowance and higher rate threshold. More than £5 in every £6 of the money spent on these tax cuts benefits people already in the richest half of the country. The Government must show it is serious about supporting struggling families and prioritise lifting the freeze.

Methods

Modelling of gainers was done using the latest version (v01_65) of the IPPR Tax-Benefit Model with the following assumptions made:

- Benefits unfrozen in April 2019 in line with CPI inflation rate in September 2018.
- Universal Credit rolled out to 25% of benefit claimants (with the remaining 75% of claimants continuing to claim under the legacy benefit system).

- The rates of take-up of legacy benefits are set using published statistics on benefit and tax-credit take-up for 2015-16. Individual family take-up is modelled using equations estimated from calculated entitlement in the IPPR Tax-Benefit Model and reported receipt of the benefit in the Family Resources Survey. Take-up of Universal Credit is set at the highest take-up of the six legacy benefits it replaces.
- The impact of the benefit freeze on the real value of benefits (6.5%, page two), is based on adjusting the real value of £100 of benefits in cash terms in 2019, to April 2015 prices using the OBR’s CPI growth projections (<https://obr.uk/download/october-2018-economic-and-fiscal-outlook-supplementary-economy-tables/>) and the ONS’s CPI Index timeseries (<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23>).

Figures used:

- The change in the number of people in poverty is rounded to the nearest 100,000. People are considered to be in poverty if they live in a household where household income after housing costs, adjusted for family size, would be less than 60% of the median household income if the freeze on benefits was not lifted in 2019/20.
- The average gain in income is calculated as the median annual gain in family income, rounded to the nearest £10.
- A family is deemed to gain from a lift of the benefit freeze if their annual income is likely to increase by at least £10.

Take-up rates of benefits used for modelling:

Benefit	Take-up rate
Pension credit	61%
Housing benefit	77%
JSA, IS and ESA	77%
Tax credits	74%
Universal Credit	77%

References

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Office for National Statistics (2019) Detailed household expenditure by equivalised disposable income decile group (OECD-modified scale). Online. Available at:

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About the Joseph Rowntree Foundation

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The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

We are working with private, public and voluntary sectors, and people with lived experience of poverty, to build on the recommendations in our comprehensive strategy - [We can solve poverty in the UK](#) - and loosen poverty's grip on people who are struggling to get by. It contains analysis and recommendations aimed at the four UK governments.

All research published by JRF, including publications in the references, is available to download from www.jrf.org.uk

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