

**FABIAN  
SOCIETY**

# GOING WITH THE GRAIN

HOW TO INCREASE SOCIAL SECURITY  
WITH PUBLIC SUPPORT

Josh Abey and Andrew Harrop

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 **Standard Life  
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## CONTENTS

SUMMARY.....	2
Why it matters.....	2
Working with public attitudes.....	3
Can consensus be built for higher social security?.....	4
Reform proposals.....	5
1. INTRODUCTION.....	9
Towards adequate social security.....	9
Why social security matters for living standards.....	10
2. WORKING WITH PUBLIC ATTITUDES.....	14
Key insights on public attitudes.....	14
Applying these insights to reform.....	16
3. CAN CONSENSUS BE BUILT FOR HIGHER SOCIAL SECURITY?.....	27
The citizens' jury.....	27
The survey.....	29
The views of experts.....	36
4. PLANS FOR REFORM.....	38
Reformed payments.....	40
The reforms in detail.....	43
Impacts of the reformed payments.....	46
Public finances.....	52
APPENDIX: INDIVIDUAL PROPOSALS.....	53
Endnotes.....	76

## About the project

The Covid-19 crisis has thrown the debate on poverty, living standards and social security into sharp relief. Millions of people have lost their jobs or seen their incomes plummet and have turned to social security, often for the first time. The government has also temporarily increased the generosity of universal credit, a hugely welcome move but also a recognition that benefits are too low.

This project has asked whether in light of the Covid-19 emergency a new consensus on social security can emerge, both broadly within society and across the political spectrum. The focus of the project is social security for working-age adults and children across Britain. We sought answers to two questions – and this report looks at the first of them:

- Can consensus be built for more generous social security over the medium term?
- Can consensus be built for a system that includes stronger contribution-based and universal entitlements in addition to means-testing?

In order to answer these questions, the project consulted with experts and policymakers; developed and analysed examples of possible reforms; convened an online citizens' jury to co-design policy options; and tested emerging conclusions with polling.

**Consultation:** We assembled a reference group of charities, think tanks and experts by experience. We consulted members on their views on reform; the design of our research; and their reactions to our emerging findings and conclusions.

**Citizens' jury:** We convened an online citizens' jury with a group of 22 working-age participants drawn from across Great Britain. The citizens' jury took place across four two-hour evening sessions on Zoom from 30 November to 11 December 2020. The group included people from a range of social backgrounds, including current social security recipients.

**Survey:** We commissioned a YouGov poll of 1,647 adults in Great Britain. Fieldwork was undertaken between 12 and 13 February 2021. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

**Microsimulation modelling:** We commissioned microsimulation modelling from Landman Economics. We used the tax transfer model, originally developed by the IPPR, using data from the Family Resources Survey 2018/19.

# SUMMARY

This report shows how a new consensus can be established for higher social security payments for children and working-age adults following the Covid-19 emergency. It is informed by evidence generated from an online citizens' jury, a survey of 1,647 British adults, a consultation with policy experts and microsimulation modelling of policy reforms.

## Why it matters

A strong social security system is essential to prevent hardship and achieve shared prosperity in Britain. The growth of in-work poverty at a time when the minimum wage has been rising is proof that reforms to markets cannot deliver alone.

Each year the Joseph Rowntree Foundation calculates minimum income standards (MIS), the amount of money required to achieve what the public thinks is a minimum socially acceptable living standard. Immediately before the pandemic 42 per cent of children and 29 per cent of working-age adults were living with incomes below the MIS threshold.

Social security provides many households without work with far less than the MIS. This helps to explain why foodbanks, problem debt and rough sleeping have become a fact of life. The combination of social security and the national living wage is not enough for many working households to achieve the MIS either (see figure 1). To make matters worse, the design of social security sometimes leaves people little or no better off when they earn more, especially in the case of parents who need childcare.

**FIGURE 1: SOCIAL SECURITY LEAVES MANY HOUSEHOLDS BELOW THE MINIMUM INCOME STANDARD**

Percentage of MIS	Out of work	Working part time National Living Wage	Working full time National Living Wage
Single adult, no children	30-40%	60-70%	80 -90%
Couple, no children	30-40%	60-70%	Over 120%
Lone parent with 1 or 2 children	50-60%	70-90%	60-100%
Couple with 1 or 2 children	50-60%	80-90%	80-110%

Figures exclude the temporary 2020 uplift to universal credit. See figure 4 for more details

## Working with public attitudes

Public opinion matters both for introducing reforms and sustaining them over time. Politicians who want to improve social security can successfully make their case if they develop policies and messages that go with the grain of public attitudes.

The starting point is that social security is not a high political priority for most people and only a minority actively support increased spending. Attitudes to social security became a bit more positive in the years leading up to the pandemic and have improved a little further following Covid-19.

But the emergency has been more important when it comes to shifting facts rather than opinion: now that a temporary £20 universal credit uplift has been introduced, a clear majority want to keep it.

Differences in sentiments towards different groups of benefit recipients are much larger than changes in views over time. People are consistently more supportive of spending on disabled people, carers and working families and more hostile to spending on unemployed people, people without children and large families.

These insights should be applied to the design and communication of reform. Where possible politicians should present progressive policies as the 'status quo' to trigger 'loss aversion' (where people care more about losing things they already have than gaining new things). They should design reforms to give more to groups which the public prioritises. And changes should reflect public intuitions about fairness between groups. For example the public want to see broadly equal treatment for different age groups and they also want to see that people are always better off when they work.

Negative public attitudes are not necessarily a reason for inaction but politicians should develop strategies for spending on unpopular issues with public opinion in mind. In particular:

- There is little public appetite for paying more to unemployed people in general, but our citizens' jury showed that people can support higher payments if they are time-limited or linked to purposeful activity.
- More than half the public support the two-child limit within universal credit. However, our evidence suggests that activists and politicians who want it abolished will receive a decent hearing if they focus on families with a working, caring or disabled parent (who make up a large majority of those affected by the two-child policy).

## Can consensus be built for higher social security?

Drawing on our citizens' jury, nationwide survey and expert consultation we conclude there is scope for consensus on:

- Retaining the £20 per week uplift introduced in 2020.
- Increasing payments for young adults, disabled people, carers and working families - and introducing a new payment for the carers of babies and toddlers.
- Reforming childcare payments to ensure that work always pays.
- Ending the two-child limit for working families.

Our **online citizens' jury** took place in November and December 2020 and brought together a broadly representative group of 22 adults from across Great Britain. Social security recipients were slightly over-represented to ensure their voices were heard.

The jury supported an increase in the generosity of universal credit. As a minimum they wanted the temporary 2020 uplift to become a permanent feature of the system. They also supported modest extra payments for families with children, carers, disabled people and parents caring for young children. A significant minority of the jury wanted larger increases for these groups to take recipients towards the MIS, but this plan did not secure majority support because of its cost. The jurors wanted the level of payments for under-25s levelled up to the amount paid to people aged 25 to 65. They also wanted financial support for childcare reformed so that work pays in all circumstances. However, a clear majority opposed ending the two-child limit.

Our **survey** of adults in Great Britain revealed strikingly similar results. Of those who expressed a view (ie excluding people who said 'don't know'): 67 per cent wanted to keep the £20 per week temporary uplift; 63 per cent wanted to equalise payments between under-25s and 25 to 65 year-olds; and 52 per cent backed better support for childcare. More than half who expressed a view wanted to increase payments for the following groups:

### Not working

- An adult who is severely disabled and may not work again (77 per cent)
- An adult who is caring full-time for a disabled relative (76 per cent)
- A 63-year-old who may not work again (62 per cent)
- A single parent caring for a baby (58 per cent)
- An adult who is sick and disabled but may be able to work in one or two years' time (56 per cent)

### Working

- A disabled adult who is only able to work part-time (71 per cent)
- A single parent with two pre-school children who works part-time (68 per cent)
- A single parent with two children who works full time (65 per cent)

Putting these survey findings together, we conclude there is strong public support for extra payments being made to five groups: disabled people, young adults, lone parents in work, lone parents without work who are caring for babies and toddlers, and carers of disabled people. Together they comprise more than 4.6m UC households, according to our modelling projections. This is 74 per cent of the households that will receive UC when it is fully rolled out. The number would have been higher still if we'd included couples with children (who a large minority want to see get more).

Our **expert consultation** also demonstrated broad support for higher payments along these lines, as long as work incentives are not undermined as the system becomes more generous.

## Reform proposals

We used these insights to develop two packages of policy reforms – one incrementally increases payments, the other redesigns them from scratch with reference to MIS values (all the reforms we examined could also be carried out as freestanding measures – see appendix).

As combined packages, both these strategies are sufficient in scale to make a decisive difference to poverty and living standards. Our public opinion research indicates that the 'incremental' option could command strong support. Our citizens' jury found the 'start from scratch' option attractive in principle but did not endorse it because of its cost.

The '**incremental**' approach starts by retaining the improved housing support and extra £20 per week introduced in 2020 as temporary measures. It then restores recently abolished increments for first children and moderately disabled people and levels-up payments for 18 to 24-year-olds. It gives a further £10 per week to carers and severely disabled people, and £14 per week to working lone parents and disabled people. It also introduces a £30 per week element for parents caring for babies and toddlers (this is a new proposal which could have a big impact on early years poverty and child development). To make work pay, childcare payments are increased to cover most of the costs of full-time childcare and a new £14 per week incentive is introduced to reward second earners in couples for working. As an option, this package also ends the two-child limit (although we know this does not have majority support). See figure 2 for details.

The '**start from scratch**' approach takes many of these measures further with payment levels set with reference to MIS budgets. As a starting point, everyone without work receives a payment worth half the MIS for their household circumstances as a modest minimum income guarantee. Parents with children, carers and moderately disabled people without work receive

three-quarters of MIS (around the poverty line) and severely disabled people and families with children aged two or under get more. All these increases also translate into higher payments for people in work. Higher rewards for working lone parents, disabled people and second earners in couples are also introduced. Together this means that everyone who is working reasonable hours given their circumstances can achieve an income that exceeds the MIS. To prevent living standards being eroded by other essential costs, council tax support is incorporated into universal credit, housing support is increased to cover all the costs of moderate rents, and reasonable childcare costs are covered in full.

These reforms involve considerable public expenditure:

- Permanently retaining the 2020 temporary measures will increase spending by £7.2bn (or 0.3 per cent of GDP). This would take expenditure on social security for children and working-age adults back to levels seen in 2015/16.
- The ‘incremental’ reforms would together cost £17bn (or 0.7 per cent of GDP) - £10bn more than the cost of retaining the 2020 measures alone. This would return spending to levels last seen in 2013/14.
- The ‘start from scratch’ reforms would together cost £36bn (or 1.5 per cent of GDP) and would take spending to just above the peak seen in 2009/10.

This higher extra spending would deliver very large results. With the ‘incremental’ strategy, the number of people in poverty is projected to decrease by 2.6m and child poverty would fall by at least a third. Under the ‘start from scratch’ strategy 3.8m people would be lifted out of poverty and child poverty would fall by at least a half. See figure 3 for details.

We recommend that policies along these lines are adopted as part of a reinvigorated system of means-tested social security. As part of this, other failing aspects of universal credit should be tackled (eg the five-week wait). Social security for working-age adults and children should also be indexed to earnings or the ‘triple lock’ to create parity with pensioners. The system should then be renamed: one option to consider is ‘Security for All’.

**FIGURE 2: WEEKLY PAYMENTS UNDER THE 'INCREMENTAL' AND 'START FROM SCRATCH' APPROACHES**

	<b>'Incremental' strategy</b>	<b>'Start from scratch' strategy</b>	
	Weekly amount (and change) 2020/21 values	Income goal for non-working household	Illustrative weekly amount (and change) 2020/21 values
1 <sup>st</sup> adult	£94 (+£20)	At least 50% of MIS	£100 (+£26)
2 <sup>nd</sup> adult	£42 (no change)	At least 50% of MIS	£70 (+£28)
18-24 year-old	£94 (+£35)	At least 50% of MIS	£100 (+£41)
1 <sup>st</sup> child	£85 (+£10)	At least 75% of MIS	£110 (+£35)
2 <sup>nd</sup> child	£68 (no change)	At least 75% of MIS	£55 (-£13)
OPTION 3+ child	£68 (+£41)	At least 75% of MIS	£55 (+£41)
Moderately disabled adult	£124 (+£50)	At least 75% of MIS	£150 (+£76)
Severely disabled adult	£183 (+£30)	At least 100% of MIS	£200 (+£47)
Carer of disabled relative	£142 (+£30)	At least 75% of MIS	£150 (+£38)
Carer of 0-2 year-old	£124 (+£50)	80% to 100% of MIS	£150 (+£76)
Housing support	30 <sup>th</sup> percentile rent	No reduction to living standards from rent	Data not published
Council tax support	No council tax if zero earnings	No reduction to living standards from council tax	Full value of council tax (could be capped at Band E)
Childcare	Up to £280 (age 0-2) or £150 (age 3+) per child (85% costs covered)	No reduction to living standards from childcare (100% costs covered)	Up to £330 (age 0-2) or £175 (age 3+) per child
In-work payments: lone parent, disabled	£82 of exempt earnings (+£14)	n/a	£96 of exempt earnings (+£29)
In-work payments: 2 <sup>nd</sup> earner	£14 of exempt earnings (+£14)	n/a	£96 of exempt earnings (but 1 <sup>st</sup> earner loses £67)
Benefit cap	Increase by 20%	No reduction to living standards from cap	Cap abolished

Note: baseline ignores the temporary 2020 measures which are included within the proposed reforms

**FIGURE 3: COSTS AND POVERTY IMPACTS OF THE 'INCREMENTAL' AND 'START FROM SCRATCH' APPROACHES**

	'Incremental' strategy		'Start from scratch' strategy	
	Reduction in poverty	Cost	Reduction in poverty	Cost
1 <sup>st</sup> adult	800k	£6.4bn	1.8m	£12bn
2 <sup>nd</sup> adult	-	-		
18-24 year-old	70k	£600m	700k	£4bn
1 <sup>st</sup> child	300k	£1.6bn		
2 <sup>nd</sup> child	-	-		
3+ child	400k	£1.4bn	300k	£900m
Moderately disabled adult	200k	£2.5bn	600k	£7bn
Severely disabled adult				
Carer of disabled relative	20k	£400m	10k	£500m
Carer of 0-2 year-old	300k	£1.4bn	500k	£2.4m
Housing support	100k	£800m	600k	£2.9bn
Council tax support	Not modelled	£500m (IFS 2019)	800k	£4.3bn
Childcare	-	£50m	10k	£300m
Working lone parents	60k	£400m	100k	£500m
Working disabled	60k	£500m	90k	£600m
Working 2 <sup>nd</sup> earners	70k	£200m	- 200k	- £800m
Benefit cap	90k	£600m	200k	£1bn
<b>All Policies</b>	<b>2.6m</b>	<b>£17bn</b>	<b>3.8m</b>	<b>£36bn</b>

Source: Landman Economics

# 1. INTRODUCTION

## Towards adequate social security

In 2019, the Fabian Society published proposals for reforming social security for children and working-age adults over the next decade.<sup>1</sup> This report builds on that work and looks particularly at the question of the adequacy of social security payments. In it, we map public attitudes to paying people more or less; present options for reform that can go with the grain of public opinion; and assess the potential impact of these reforms.

The report draws on a wealth of previous policy analysis and public opinion research as well as the findings of a consultation with social security experts and three pieces of original research: a citizens' jury convened in November and December 2020; a poll of 1,647 adults in Great Britain conducted in February 2021; and detailed microsimulation modelling by Landman Economics analysing the costs and impacts of potential reforms.

The backdrop for the project is the Covid-19 crisis. The pandemic has thrown the debate on living standards and social security into sharp relief. Millions of people have lost their jobs or seen their incomes plummet and have turned to social security for support, often for the first time. The government also temporarily increased the generosity of universal credit and introduced emergency earnings-related payments (furlough and the self-employment income support scheme). These steps have ignited fierce debate on the future generosity and design of social security.

In this project we have asked whether, in light of the Covid-19 emergency, a new consensus on social security can emerge, both broadly within society and across the political spectrum. But this is not a report about the pandemic and its aftermath. Our focus is on the medium term, looking from the start of the next parliament towards 2030. We ask whether the experience of the last year could lead to a permanently better system of social security (rather than how the system should respond immediately to cope with crisis, recession and recovery). We therefore consider the social security system and labour market we can expect in the mid-2020s, by assuming current benefit reforms underway have been implemented in full and that unemployment has returned towards its pre-crisis levels.

In the report we look only at living standards for children and working-age households (ie households containing anyone under the age of 66, rising to 67 by 2028). Social security generally provides a higher income to pensioners

than to non-working adults under 66, so the living standards challenges are different for older people (problems mainly arise from older people not claiming all their entitlements). The social security system for pensioners is still of interest, but mainly as a reference point, because comparing the experiences of different age groups is important when discussing what people think is fair and how to improve social security for all.

### **Where Next? reforming social security over the next 10 years**

was a 2019 Fabian Society report which presented a nine-step plan of action for social security. The nine steps were:

1. Act fast with immediate reforms
2. Pursue clear aims and fight poverty first
3. Respond to the future
4. Build a people-led system
5. Create consistent, adequate payments
6. Imagine a new working-age household credit
7. Reinvent universal and contribution-based payments
8. Slash in-work poverty and support employment
9. Pledge new fiscal rules to grow social security spending

This report is mainly focused on developing plans under step 5 'create consistent, adequate payments', although the question of the adequacy of payments touches on many of the other steps – in particular the design of universal credit or its successor (step 6), supporting people in work (step 8), and fiscal choices (step 9).

By examining levels of payment we provide a partial answer on the question of how to reform or replace universal credit. But we do not consider other dimensions of how to create a better household benefit that goes with the grain of people's lives. As *Where Next?* explains such reforms are essential, sitting alongside more generous payments (see box on page 39).

A companion to this report considers options for more universal and contribution-based payments (step 7). This report is written with the current means-tested benefit system in mind. But some of the increases in benefits we propose could be implemented through a combination of higher universal and means-tested payments rather than simply by reforming universal credit (eg child benefit could be increased instead of the child element of universal credit).

## Why social security matters for living standards

Good social security is essential for creating a society with broadly shared prosperity. It is needed to prevent hardship, help people meet everyday

needs, cushion against loss of earnings and equalise the living standards of people with the same incomes but different essential costs. Social security is necessary to prevent homelessness, hunger and problem debt, insure people against a rainy day and give families with ordinary jobs enough for a reasonable standard of living.

In recent years, the social security system has been failing on all these counts. The real disposable incomes of the poorest households have barely increased in 20 years.<sup>2</sup> And the share of children in financial hardship is also unchanged over the last two decades. Poverty in the UK is defined as where people live with financial resources well below their minimum needs. According to the best available measure, recently developed by the Social Metrics Commission (SMC), 33 per cent of children were in poverty in 2000/01 (the year after Tony Blair pledged to eradicate child poverty in a generation) and 33 per cent of children were still in poverty in 2018/19.<sup>3</sup>

The profile of low income and financial hardship has changed however. Pensioner poverty has fallen sharply, as a result of essential improvements to the pension system. And there has been a steady decline in the share of households with an adult under 65 where no one is in work.<sup>4</sup> Excluding retired households, 69 per cent of people classed as living in poverty by the SMC are now in households where someone works, up from 52 per cent in 2000.<sup>5</sup> Having a job is not enough for millions of people to meet their essential needs. It takes good social security too.

A strong social security system is necessary to ensure that people can achieve a reasonable minimum living standard. Each year the Joseph Rowntree Foundation commissions researchers to calculate minimum income standards (MIS) for different types of household. These are the budgets families in different circumstances need to achieve a minimum socially acceptable living standard, as judged by members of the public. These budgets provide enough for food, clothes and shelter but also for the things people need to take part in ordinary life in Britain (such as mobile phones and money for children's birthday presents).<sup>6</sup> On the most recent figures, 42 per cent of children and 29 per cent of working-age adults lived in homes with living standards below the MIS.<sup>7</sup>

Figure 4 shows how, for many groups, social security today delivers far less than the MIS, both for people out of work and for people in work:

- **People looking for work** can be left with only a third of the minimum income standard. This represents very significant hardship (the threshold for being in poverty is usually taken to be around 75 per cent of MIS) and helps to explain why food banks and rough sleeping have become a fact of life.

- **Households with restricted earnings** also fare badly due to inadequate social security. Working part-time on the national living wage (or only one member of a couple working) results in an income of between 60 and 90 per cent of the MIS.
- **Households where all the adults work full-time** cannot necessarily reach the MIS. Single adult households and couples with childcare costs earning the national living wage fall short due to inadequate social security top-ups.
- **Even households with a worker on median earnings** will not always reach MIS. Lone parents with median earnings of around £30,000 per year fall short if they have high child-related costs.

**FIGURE 4: MANY HOUSEHOLDS FALL SHORT OF MINIMUM INCOME STANDARDS, BOTH WITH AND WITHOUT WORK**

Percentage of Minimum Income Standard	<b>Out of work (social security)</b>	<b>Working part time (minimum wage &amp; social security)</b>	<b>Working full time (minimum wage &amp; social security)</b>	<b>Working full time (median earnings &amp; social security)</b>
Single adult, no children	30-40%	60-70%	80-90%	Over 140%
Couple, no children	30-40%	60-70%	Over 120%	Over 150%
Lone parent with 1 or 2 children	50-60%	70-80% (cc) 80-90% (no cc)	60-70% (cc) 90-100% (no cc)	70-90% (cc) 110-130% (no cc)
Couple with 1 or 2 children	50-60%	80-90% (no cc)	80-90% (cc) 100-110% (no cc)	100-130% (cc) 160-190% (no cc)
Pensioner couple	90-100%	-	-	-

**Childcare:** cc = with childcare needs and costs, no cc = without childcare needs and costs.

**Large families:** MIS percentages for families with 3 or more children are lower than these values because universal credit does not provide anything extra to meet the additional living costs or childcare costs of families after the second child (unless transitional arrangements apply).

**Working hours:** Working part time is defined as a single adult working part time, or a couple where one adult works and the other does not.

**Notes:** Benefit amounts are for adults aged 25-65 who are not carers or disabled. Values exclude the temporary 2020 uplift to universal credit. Calculations assume that universal credit is fully rolled-out and that each household pays a modest local rent that is fully eligible for support through social security (a best-case scenario as often housing costs are not fully covered). Non-working households live in areas where all their council tax liabilities are supported (also a best-case scenario).

**Source:** Fabian Society calculations based on *A minimum income standard for the United Kingdom in 2020*, Joseph Rowntree Foundation, 2020

This data reveals how little support social security provides to people without work, with children or without. But in the case of families with children, the system is also very bad at helping parents to escape low income by working more hours (and especially when there are childcare needs). Social security rewards households with children for moving from not working to working restricted hours. But when full-time childcare is needed there is no incentive either for lone parents to move from part-time to full-time work, or for the second member of a couple to find a job. This design flaw does not just apply to minimum wage jobs: a lone parent with

childcare needs is left no better off moving from a part-time minimum wage job (earning £8,500 per year) to a full-time job on median earnings (£30,000 per year).

Social security also fails disabled people. Although on average disabled people receive more in social security than people without disabilities, the extra they receive is insufficient to cover the extra costs they face or to reflect their reduced capacity to earn.<sup>8</sup> There is no perfect measure of poverty for disabled people, because people with health needs and disabilities face essential costs which vary case by case. The SMC measure is the best available at present. In 2018/19 it showed that 38 per cent of disabled people aged 18 to 65 were recorded to be living in poverty, compared to 18 per cent of those without a disability.<sup>9</sup> This suggests that at least half of disabled working-age adults are likely to lack an income sufficient to meet their reasonable minimum needs.

### **Beyond social security**

Good social security should form part of a broad suite of policies to support living standards. But other actions will not work without better social security. This was proved between 2010 to 2019, when there was barely any improvement in living standards for low-income groups or in levels of poverty despite record employment and a rising minimum wage.

Improved social security needs to sit alongside reforms including:

- Lower living costs – more free or subsidised public services; utility price regulation; effective competition and consumer protection policy.
- Cheaper housing – more social housing and other affordable tenures; long-term price stability in the housing market.
- More work – higher employment, more hours of work, control and choice over working hours and conditions.
- Higher earnings – higher minimum wages, stronger pay bargaining, protection from exploitive self-employment, better paid occupational leave.
- Low taxes for people with low incomes – council tax reform, a shift in the balance of tax from earnings and consumption towards unearned income and assets.

Reducing poverty and inequality can be achieved in part through a fairer distribution of existing resources. But achieving higher living standards for all depends on national prosperity rising over time. This requires higher productivity, profits and earnings to generate both higher market incomes and the tax revenues to pay for a strong welfare state.

## 2. WORKING WITH PUBLIC ATTITUDES

Improving social security must be a priority for future governments because it is essential to raise living standards and tackle hardship. This is true irrespective of the state of public opinion because there is no viable alternative to achieving broadly shared prosperity.

But public opinion matters both for introducing reforms and sustaining them over time. Spending more on social security for children and working-age adults may never become a truly popular national cause, along the lines of the NHS, the state pension or the Covid-19 furlough scheme. But it does not need to be a politically toxic 'third rail' either.

Politicians who want to raise living standards through social security can successfully make their case if they understand what people think and develop policies and messages that go with the grain of public opinion.

### Key insights on public attitudes

When thinking about social security reform politicians need to reflect on important findings generated from a wide body of research on public opinion, many of which we have validated during the course of this project. Essential insights include:

- 1. Social security is not a high political priority for most people.** Only a small minority of adults name issues such as 'poverty and inequality' or 'welfare benefits' as among the top political issues facing the UK.<sup>10</sup> Qualitative research also shows that most people are ambivalent and not particularly knowledgeable about social security.<sup>11</sup> This means social security is an area where opinion can be shaped and cues from politicians are important.
- 2. Only a minority actively support higher spending.** Surveys never find a majority in favour of an overall increase in social security spending, although they quite often find more people supporting increases than cuts.<sup>12</sup> When people are asked what they would prioritise for extra public spending social security is only named by a small minority.<sup>13</sup>

3. **Attitudes have become more positive in recent years.** Across lots of different surveys and survey questions the evidence shows that people are a little more supportive of social security and social security recipients than in the early 2010s. There is a relationship between this trend and the system becoming less generous over the last decade. Sir John Curtice, the UK's leading authority on political opinion, has also suggested that Labour's change in language and framing is likely to have been important in shifting opinion although he comments that Conservative voters have changed their views too.<sup>14</sup>
4. **Differences in sentiments towards different groups are much more important than these changes over time.** The public is consistently more supportive of spending on groups such as disabled people, carers and working families; and is more hostile to spending on unemployed people, people without children and large families.<sup>15</sup> This is related to widespread beliefs that a large share of recipients are not deserving of support, and that the system is too open to abuse and fraud.<sup>16</sup> However, importantly, the groups that the public does favour make up a large majority of all social security recipients.
5. **The Covid-19 pandemic may have led to a small shift in attitudes. But it has been more important in shifting facts.** YouGov's regular tracker polls indicate that since the start of the pandemic there has been a small but statistically significant increase in support for spending more on benefits for people out of work.<sup>17</sup> But more importantly the emergency measures have created new reference points. A large majority of people support retaining the £20 uplift to universal credit because it has become the status quo. This is a form of 'loss aversion', the phenomenon where people have a psychological preference for avoiding losses over acquiring gains. This applies even when people are not personally affected: they are much more likely to oppose cuts to existing entitlements than to support new spending.

Our polling provided fresh evidence on the impact of Covid-19 on attitudes to social security. We asked a regular British Social Attitudes question to see whether responses had changed since 2019 (figure 5). We found the number of people who felt that unemployment benefits were too high was notably lower than in the BSA study (though the two surveys have different methodologies so are not directly comparable). We also asked people whether they wanted the £20 temporary uplift to become a permanent feature of the system and two-thirds agreed with this proposition (excluding people who said 'don't know') (figure 6).

**FIGURE 5: SINCE THE PANDEMIC MORE PEOPLE BELIEVE BENEFITS FOR UNEMPLOYED PEOPLE ARE TOO LOW THAN TOO HIGH**

<b>Which of these two statements comes closest to your own view?</b>				
Percentage of adults	Fabian YouGov 2021	BSA 2019	BSA 2015	BSA 2011
Benefits for unemployed people are too low and cause hardship	35	36	24	19
Benefits for unemployed people are too high and discourage them from finding jobs	27	35	59	62
Neither	23	21	14	14
Don't know	15	8	3	5

Source: Fabian Society YouGov poll February 2021, British Social Attitudes survey, NatCen, various years. YouGov and the British Social Attitudes Survey use different survey methodologies so these findings are not directly comparable

**FIGURE 6: A MAJORITY OF PEOPLE WANT TO RETAIN THE £20 UPLIFT TO UNIVERSAL CREDIT INTRODUCED IN 2020**

<b>Social security benefits were increased at the start of the Covid-19 pandemic. The government is considering whether to reduce them back to their previous level. Which of these statements comes closest to your own view? (percentage of adults)</b>	
The amount paid in benefits should be reduced to the level that was being paid before the Covid-19 crisis	27
The amount paid in benefits should stay at the level it has been paid at during the Covid-19 crisis	35
The amount paid in benefits should be increased to more than the level it has been paid at during the Covid-19 crisis	19
Don't know	18

Source: Fabian Society YouGov poll, February 2021

## Applying these insights to reform

The evidence on public opinion shows that campaigners and politicians making the case for higher social security spending will receive a better hearing now than 10 years ago. But the argument for an increase in generosity in social security will still need to be carefully constructed. Our public attitudes insights lead us to propose a number of approaches.

### **1. Where possible, present progressive policies as the 'status quo' and seek to trigger 'loss aversion'**

The government's decision at the start of the pandemic to increase universal credit and working tax credit by £20 per week represented a huge boost for the adequacy of social security. The policy was not premeditated and was driven by the need to provide everyone who needed to be away from work

during the public health emergency with an income equivalent to statutory sick pay. But it has become the reference point for debate about the adequacy of social security.

The 2020 emergency measures should be positioned by advocates of reform as the 'status quo'. If the 2020 uplift to universal credit is cancelled, campaigners and politicians should argue this is a cut that must be reversed and sustain this argument loudly to embed the uplift in public memory. This approach will secure much greater public support than making the case for a large increase to benefits without a past reference point.

On the other hand, if the uplift is retained permanently, it can be used as a benchmark to argue for similar increases elsewhere. The argument would be that parity is needed with the uplift (for example, by extending the increase to legacy means-tested and contribution-based benefits; or by introducing something equivalent for second adults and children).

Looking forward, policymakers should also consider reference points and how to trigger loss aversion in thinking about their future proposals. They should recognise that many policies will become more popular once in place than when proposed (as long as the beneficiaries are not viewed with hostility or seen as remote from mainstream Britain). This should give decisionmakers confidence to act boldly, in cases where public support or understanding initially seems borderline.

Politicians should also consider the case for pre-announcing policies and targets to embed a direction of travel as the default, so that any deviation comes to feel like a cut. The power of this approach can be seen in the 'triple lock' guarantee for pensioners which has delivered significant growth in the value of pension incomes, because real terms annual increases in the state pension are established as the status quo.

## **2. Design reforms to give more to groups the public prioritises**

The great majority of social security recipients belong to groups the public is sympathetic towards. People are more favourable to increasing payments for these specific groups than to a general increase in benefit levels. Moreover, our citizens' jury said it wanted to see a system personalised as much as possible to individual circumstances.

Fairly or unfairly, unemployed people without children are seen as the least deserving group; but outside of a recession they are a small proportion of recipients. One important strategy for reform is therefore to create better

payments for groups the public is sympathetic to seeing receive more, including:\*

- Disabled people
- Carers of disabled relatives and friends
- Parents caring for young children
- Families with children in general
- People in work

The British Social Attitudes survey has found that support for raising benefits for disabled people, low earning families and lone parents has been rising in recent years.<sup>18</sup> Our survey showed strong public support for extra spending for all these groups (figure 7a and 7b). Going into more detail, our questions show that the public supports spending on people with ‘moderate’ not just ‘severe’ disability and that people are especially supportive of spending on families with young children and lone parent families.

There is an important proviso to this strategy, which is that people need to be reassured that the need and eligibility of people in different groups are genuine, given the high numbers who think there is significant abuse in the social security system and that many recipients do not genuinely need help.<sup>19</sup> In particular, this is an important consideration when thinking about how to reform of disability assessments. There are significant problems with the existing assessments but a consistent, robust and evidence-based process for demonstrating incapacity is essential.

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\* In addition to this list we asked about people in their mid-60s close to pension age. Our survey was supportive of this group receiving more in benefits; but our citizens’ jury opposed them receiving more on grounds of age alone. In practice our modelling suggests there are few workless households in this age group eligible for universal credit who do not contain a disabled adult or carer. Better payments for these groups would therefore reduce the need for any specific extra payment for people near to pension age.

**FIGURE 7A: THERE IS SIGNIFICANT PUBLIC SUPPORT FOR RAISING SOCIAL SECURITY FOR MOST TYPES OF HOUSEHOLDS WITHOUT WORK**

**For each of the following types of household without work, please say whether you think they should receive more or less in benefit payments than they do currently, or do you think the current amount is about right?**

Percentage of adults	A lot more	A little more	Current amount is about right	A little less	A lot less	TOTAL MORE	TOTAL LESS	Don't know
An unemployed adult with no children	8	17	30	13	12	<b>25</b>	<b>25</b>	20
An unemployed couple with 2 children	14	25	25	9	6	<b>39</b>	<b>15</b>	20
An adult who is sick or disabled but may be able to work in 1 or 2 years' time	15	30	30	4	2	<b>45</b>	<b>6</b>	19
A single parent caring for a baby	19	28	26	5	3	<b>47</b>	<b>8</b>	19
A 63 year-old who may not work again	19	31	26	3	2	<b>50</b>	<b>5</b>	20
An adult who is caring full-time for a disabled relative	30	33	16	3	1	<b>63</b>	<b>4</b>	18
An adult who is severely disabled and may not work again	35	28	16	2	1	<b>63</b>	<b>3</b>	18

Source: Fabian Society YouGov poll February 2021

**FIGURE 7B: THERE IS SIGNIFICANT PUBLIC SUPPORT FOR RAISING SOCIAL SECURITY FOR MANY TYPES OF HOUSEHOLDS WITH LOW EARNINGS**

**Social security benefits and tax credits are paid to many people who are in work to provide a top-up to their earnings and help meet the costs of things such as rent, children and childcare. For each of the types of household listed below, do you think if someone is earning the minimum wage, they should receive more or less in benefit payments than they do currently, or do you think the current amount is about right?**

Percentage of adults	A lot more	A little more	Current amount is about right	A little less	A lot less	TOTAL MORE	TOTAL LESS	Don't know
A single adult working full-time living in a shared flat	9	18	38	10	4	<b>27</b>	<b>14</b>	22
A couple with 2 children who both work full-time	12	21	32	9	6	<b>33</b>	<b>15</b>	20
A couple with 2 pre-school children, where one works full-time and the other looks after the children	12	27	31	7	2	<b>39</b>	<b>9</b>	20
A single parent with 2 children who works full-time	21	31	22	4	2	<b>52</b>	<b>6</b>	20
A single parent with 2 pre-school children who works part-time	19	35	20	3	2	<b>54</b>	<b>5</b>	20
A disabled adult who is only able to work part-time	21	35	20	2	1	<b>56</b>	<b>3</b>	21

Source: Fabian Society YouGov poll February 2021

### 3. Reflect public intuitions about fairness between groups

The public wants to see people in similar circumstances treated alike; and people in different circumstances treated in appropriately different ways. This intuition can be applied to make the case for equalising benefits where differences between groups do not seem relevant to people. We found this point particularly applies with respect to age.

Both our survey and citizens' jury found majority support for paying 18 to 24-year-olds the same amount as 25 to 65-year-olds (figure 8). This suggests

that politicians can make a strong argument for levelling up social security youth rates, especially in the context of the pandemic which has hit youth employment hardest. The case is especially strong for 21 to 24-year-olds, because the national living wage is being extended to cover them. This means that raising benefits for this age group will not leave them with worse work incentives than older adults. It also raises a point of fairness, which our research suggests will resonate: if young adults are old enough to be paid the full adult minimum wage, why should they receive less in benefits?

We also found significant backing for closing the gap between payments for working-age and pensioner households in both the jury and our survey. In the survey, after excluding people who said 'don't know', 77 per cent of respondents, including a clear majority from all age groups and demographic backgrounds, said people aged 25 to 65 should receive the same as or more than people aged over 66

This suggests that arguments about equality between age groups could be the most effective way of selling the case for a general increase in the generosity of working-age benefits. The case for equalising payments with pensioners can be made especially strongly for groups who are not expected to work (disabled people, carers, carers of young children) because they are similar to pensioners in a relevant way.

## FIGURE 8: PEOPLE WANT TO SEE DIFFERENT AGE GROUPS TREATED IN SIMILAR WAYS

**Universal credit is the main social security benefit for people with a low income below pension age. It is paid to people out of work or with low earnings. For the next set of questions, please think about those who are currently claiming universal credit**

Percentage of adults	More	Less	The same	Don't know
Do you think those aged 18-24 who are claiming universal credit should receive more, less, or the same as those aged 25 to 65?	3	32	52	13
Do you think those aged 25-65 who are claiming universal credit should receive more, less, or the same as those aged 66 and over receiving the state pension or pension credit?	16	19	46	19

Source: Fabian Society YouGov poll February 2021

Arguments about fairness can also be made for differences of treatment when circumstances are different. Figures 7a and 7b provide strong evidence that the public gives priority to people who are disabled or caring compared to those who are not. And in our citizens' jury, participants were strongly opposed to situations where social security left people in work no better off than if they had not been earning.

In many cases it is likely to be easier to make the case for spending more on social security by appealing to fairness intuitions about ‘sameness’ and ‘difference’, rather than more impersonal or theoretical concepts.

It is already well known that the concept of poverty is contested and understood by different people in different ways.<sup>20</sup> This limits the impact of poverty-related arguments for higher spending (by contrast pointing to visible hardship such as hunger, homelessness or serious overcrowding is much more emotionally resonant and unifying).

In new research for this project, we found that appealing to arguments relating to people’s minimum needs is not persuasive either (see box below).

### **Public arguments based on adequate living standards**

As ‘poverty’ is a contested concept we wanted to find out whether the case for higher social security could instead be made by appealing to the idea of adequacy and minimum income standards (MIS).

In our **citizens’ jury** the jurors were provided with a detailed briefing on the MIS concept by Professor Donald Hirsch, the leader of the team that conducts the annual minimum income standards study. After discussing the information provided, more than two-thirds of the jurors supported payments being redesigned so that most groups of recipients are able to achieve or move towards the MIS (this strong support was later tempered somewhat once jurors started to discuss the costs).

By contrast in our **survey**, the MIS concept did not seem to strengthen support for higher benefit spending (when described in a few sentences rather than through an extended expert briefing). 37 per cent agreed that ‘benefits should be increased, so they provide enough to buy the things on the public’s list of modest everyday needs’ (figure 9). This is almost the same as the number who said ‘benefits are too low’ when asked a question on benefit levels without any further information in a different YouGov poll conducted around the same time.<sup>21</sup>

In the survey we also tested the motivational effect of the MIS concept by comparing how people responded to questions about paying more to specific groups, with and without information about MIS. After explaining MIS in a few words, our survey asked a set of questions identical to regular YouGov tracker questions. In almost all cases, there was no significant difference between how the public responded with and without information about MIS (figure 10).

## FIGURE 9: ONLY A MINORITY OF PEOPLE SUPPORT INCREASING SOCIAL SECURITY SO PEOPLE OUT OF WORK CAN ACHIEVE A MINIMUM INCOME STANDARD

**Every year researchers ask members of the public to agree a list of the things people in the UK need to meet modest everyday needs and lead a normal life in this country. People who are out of work and receiving welfare benefits do not get enough money to buy all the things on this list. But increasing benefits to provide enough to meet these needs could mean that taxes have to go up. Which of these statements comes closest to your own view? (percentage of adults)**

Benefits should be decreased, so they provide enough for only very basic food and shelter	11
Benefits should stay the same, so they provide enough to buy more than very basic food and shelter, but not enough for the things on the public's list of modest everyday needs	37
Benefits should be increased, so they provide enough to buy the things on the public's list of modest everyday needs	37
Don't know	16

Source: Fabian Society YouGov poll February 2021. For comparison in January YouGov asked 'thinking about the level of benefits, do you think they are too high, too low, or is the balance about right?' .15 per cent said 'benefit payments are too high', 22 per cent said the balance is about right', 35 per cent said 'benefit payments are too low' and 28 per cent said 'don't know' (11 January 2021, 1,655 GB adults)

## FIGURE 10: EXPLAINING THE CONCEPT OF MINIMUM INCOME STANDARDS HAS LITTLE EFFECT ON PEOPLE'S VIEWS ON WHETHER BENEFITS SHOULD BE HIGHER OR LOWER FOR DIFFERENT GROUPS

		The benefit system offers too much support for this group	The benefit system offers too little support for this group	The benefit system offers about the right amount of support for this group	Don't know
See below for question variants					
Percentage of adults					
People who are currently out of work	With MIS text	14	34*	28	24
	Without MIS text	12	39*	28	22
People who are in low-paid work	With MIS text	7	45	26	23
	Without MIS text	6	45	27	23
People on low incomes who are bringing up children	With MIS text	9*	41	26	23
	Without MIS text	14*	41	23	23
People over the age of 65	With MIS text	6	42	27	24
	Without MIS text	6	43	28	23
People who have a disability	With MIS text	6	49	20	24
	Without MIS text	7	45	24	24

\*statistically significant difference, 95 per cent confidence interval

QUESTION WITH MIS TEXT: At the moment welfare benefits provide more than is needed for very basic food and shelter but not enough to buy the things on the public's list of modest everyday needs. Thinking about the different groups who the benefit system supports, for each of the following groups do you think it offers too much support, too little support, or about the right amount? (12-13 February 2021, 1,647 GB adults)

QUESTION WITHOUT MIS TEXT: Thinking about the different groups who the benefit system supports, for each of the following groups do you think it offers too much support, too little support, or about the right amount? (11 January 2021, 1,655 GB adults)

#### 4. Develop strategies for unpopular spending

In some areas, politicians are likely to conclude that extra social security spending is necessary even though it is not popular. But there are potential solutions:

**Unemployed people.** Figure 7a shows that spending on unemployed people is less popular than spending on other social security recipients. This is a long-established pattern and even in our research, conducted during the Covid-19 pandemic, we found equal numbers of people wanted to decrease as increase payments for ‘an unemployed adult with no children’.

Two possible ways to make the case for higher spending despite this reticence have already been highlighted: first, using the anchoring effect of the 2020 uplift to trigger loss aversion; and second arguing for equality between age groups.

Our citizens’ jury also indicated they would support higher unemployment benefits in two other contexts:

- Where people have recently lost a job, with higher payment on a time-limited basis, taking account of their past contribution.
- Where extra payments are tied to purposeful activity (eg participation in full-time training, work placements or volunteering).

The jury also supported unemployed people being provided paid work after a certain period. This policy would obviously increase incomes for those directly affected. Public awareness that long-term unemployment is not an option might also help soften views on the level of payments for unemployed people more generally.

**Large families.** 44 per cent of children in poverty live in families with three or more children (using the SMC measure) so any viable child poverty strategy must include higher payments to large families.<sup>22</sup> But payments for third and subsequent children have been scrapped for children born after 6 April 2017. Both our citizens’ jury and our survey showed that a majority of people oppose restoring payments beyond the second child.

In our citizens’ jury, after significant discussion, around two-thirds of the jurors ended up supporting the two-child limit (even though social security recipients were over-represented in the group). Jurors responded warmly to arguments that no child should be left without their reasonable needs being met, whatever their circumstances; but for a majority this did not trump strongly held views about parents taking responsibility for their circumstances and how many children they had.

In our survey the two-child limit was supported by a clear but not overwhelming majority (figure 11). Excluding people who said ‘don’t know’, 57 per cent of respondents thought that universal credit should only provide help for two children or for no children at all, while 43 per cent supported at least some spending on 3<sup>rd</sup> and subsequent children. Many social security recipients and 2019 Labour voters supported the two-child limit (in each of these groups only around 60 per cent of those expressing a preference supported payments for more than two children).

### FIGURE 11: ONLY A MINORITY SUPPORT REINTRODUCING PAYMENTS FOR THIRD AND SUBSEQUENT CHILDREN

<b>Parents can receive universal credit if they are out of work or have low earnings. Currently they get extra money to cover the costs of their first and second child, but not any other children. Which of these statements comes closest to your own view? (percentage of adults)</b>	
Universal credit should not provide any extra money to parents to pay for the costs of children	16
Universal credit should only provide extra money to meet the extra costs of having one or two children	31
Universal credit should provide some extra money to meet the extra costs of having three or four children but not as much as for the first and second child	19
Universal credit should provide extra money to meet the costs of having each additional child in a family	16
Don't know	17

Source: Fabian Society YouGov poll February 2021

There are a number of options for confronting this dilemma. First, decisionmakers could consider policy choices that fall short of completely ending the two-child policy, while still significantly reducing poverty and improving work incentives for large families. Options include:

- **Scrap the two-child policy for working families and those not required to seek work:** This would remove the limit from the vast majority of large families, where the adults are working, disabled or caring for children aged two or under. Our modelling projects that the number of households hit by the policy would fall by more than 90 per cent from 790,000 to 75,000 (once the policy being fully rolled out to cover all children).
- **Pay smaller amounts for third and subsequent children:** payments for first and second children are designed in part to offset the inadequacy of adult payments. They are more than is needed only to lift each extra child out of poverty. So lower amounts could be introduced for third and subsequent children (for 2020/21 a rate of £41 per week instead of £54 per week would be sufficient). The results from Figure 11 suggest this option might be more popular than treating all children exactly the same.

- **Start with childcare:** our jurors were supportive of spending money on large families' childcare costs once they understood that many with childcare needs have no incentive to increase their earnings. Universal credit childcare payments should be reformed so additional support is available for third and subsequent children.

Second, if policy makers conclude that fully scrapping the two-child policy is the right course of action they should use arguments that:

- **Appeal to fairness between children of different ages:** the two-child limit applies only to children born after April 2017, so children of different ages will be treated differently throughout the next decade. Our research shows that people dislike age groups being treated differently.
- **Explain the policy on the basis of the parents' circumstances:** make the case by saying that most families affected have a parent who is working, disabled, caring for a disabled relative or caring for young children. People in these groups are doing what the system expects of them.

These arguments are likely to be more effective than saying that children are not to blame for their parents' choices or that supporting children is an investment in the country's future (two arguments often made by opponents of the policy). A majority of our jurors felt these points did not trump their feeling that parents should take responsibility.

# 3. CAN CONSENSUS BE BUILT FOR HIGHER SOCIAL SECURITY?

Now we have explored the state of public opinion, this chapter turns to the central question of the report: can consensus be built for higher social security? During the project we sought to establish whether consensus is possible using our citizens' jury, our representative survey of adults in Great Britain, and a consultation with social security experts.

Our clear conclusion is that a new consensus can be established for higher payments. Drawing on all three methods, we believe there is scope for broad agreement on:

- Retaining the improved housing support and £20 uplift introduced in 2020 as temporary measures.
- Increasing payments for many groups: young adults, disabled people, carers, working families, and the carers of young children.
- Reforming childcare payments to ensure that work always pays.

Apart from retaining the 2020 uplift, there is not majority support for raising universal credit for unemployed people (but see our companion report on contribution-based social security, which indicates support for stronger short-term unemployment insurance).

Likewise, there is not majority backing for scrapping the two-child limit (although we think it is the right thing to do). However, it probably would be possible to secure support for restricting its scope, by exempting working families (and perhaps non-working families not required to seek work).

## The citizens' jury

Our citizens' jury was convened to determine whether a cross-section of British adults would collectively recommend more generous social security.

The group was not asked to reach a unanimous verdict but following deliberation a clear majority supported a significant increase in the generosity of the system.

## Background to the jury

The Fabian Society carried out an online citizens' jury with a group of 22 working-age participants drawn from across Great Britain. The citizens' jury took place across four two-hour evening sessions on Zoom from 30 November to 11 December 2020. Jurors heard presentations from expert speakers and deliberated on the design and generosity of social security. They completed online surveys between each session, to quantify the group's attitudes, steer subsequent discussions and shape the jury's emerging proposals. By the end of the final session, the jurors arrived at a set of proposals for change in the social security system which they presented to Stephen Timms MP, chair of the House of Commons work and pensions committee.

The jurors were recruited to be broadly representative of the country – with an even gender split, a mixture of ages between 18 and 65, a range of different ethnicities, roughly proportional numbers of people from each region and nation in Great Britain, and a mixture of people with and without children. To give weight to the perspectives of people with personal experiences of social security we 'oversampled' people receiving social security benefits (excluding child benefit), with nine of the 22 jurors in receipt of a benefit or tax credit. Accordingly, the group had a higher proportion of people who were not working (five of 22) and people who were in the C2DE socio-economic groupings (13 of 22) than there are in the working-age population.

The jurors were asked to think about the system they wanted in five years' time and answer two questions: first, how much money should people be paid by social security in different circumstances? Second, should social security become less based on means-testing households' income and savings? In this chapter we report on their response to the first of these questions (our companion report looks at the second question).

A detailed paper reporting insights from the jury is published alongside this report.

## The jury's recommendations

The citizens' jury proposed an increase in the generosity of universal credit to ensure recipients' incomes are closer to the amount needed to achieve a reasonable minimum standard of living (ie the MIS).

The jurors identified particular groups they thought should come closest to the MIS, such as severely disabled people, carers, and parents in work.

For all adults receiving social security, as a minimum they wanted the temporary 2020 uplift in universal credit to become a permanent feature of the system.

In addition to the £20 uplift, the jury supported modest extra payments in universal credit for: families with children, carers, disabled people and parents caring for young children. A significant minority of the jury wanted larger increases but these proposals did not secure majority support because of their cost.

The jurors wanted the level of payments for under-25s levelled-up to the amount paid to people aged 25 to 65. However, a majority opposed making the system better for large families by ending the two-child limit.

Finally, the jurors called for reform to childcare so that the government pays a large share of the costs of full-time childcare for low-income families – although many in the group favoured free childcare for all.

## The survey

The majority view from our survey was strikingly similar to the conclusions of our citizens' jury. Figure 12 presents the majority or median viewpoint from the jury and the survey on key questions relating to the generosity of social security.

**FIGURE 12: IN BOTH THE CITIZENS' JURY AND THE SURVEY A MAJORITY WANTED A MORE GENEROUS SYSTEM**

Topic	Citizens' jury	Survey*
£20 temporary uplift	Keep	Keep
18-24 year-olds	Equalise with 25-65s	Equalise with 25-65s
Parity with pensioners	Yes (in principle, over time)	Yes
Families with 1 or 2 children	Higher payment	Higher payment (except jobseekers – just below a majority)
Families with 3+ children	No extra help for having 3+ children	No extra help for having 3+ children
Moderately disabled adult	Higher payment	Higher payment
Severely disabled adult	Higher payment	Higher payment
Carer of disabled relative	Higher payment	Higher payment
Lone parent looking after baby	Higher payment	Higher payment
Lone parent working	Higher payment	Higher payment
Couple working	Higher payment	No change (extra for a couple where one is working and one is caring for a baby - just below a majority)
Childcare	Improve to support full-time childcare	Improve to support full-time childcare

Source: Fabian Society YouGov poll February 2021. \* Majority excluding those who said 'don't know'

## Improvements with majority support

In chapter 3, we saw that past studies have never shown majority support for raising benefits across the board. Our survey confirms that, but also demonstrates majority support for a range of possible social security improvements (for the detailed numbers see figure 14).

In chapter 2, figure 6 shows that a clear majority of respondents who expressed an opinion supported retaining the 2020 uplift or going beyond it. After excluding people who said 'don't know', 67 per cent supported one of these options.

### FIGURE 13: A SLIM MAJORITY OF THOSE EXPRESSING A VIEW PREFERRED OPTIONS FOR CHILDCARE THAT GO BEYOND THE CURRENT ENTITLEMENT

<b>The government helps families with childcare costs in several ways, including through universal credit, tax-free childcare and free nursery places. Currently, the amount of support families get depends on their income and how much childcare they need. Thinking about childcare support for low-income families, which of these statements comes closest to your own view? (percentage of adults)</b>	
The government should only pay a small share of childcare costs for low-income working families	20
The government should pay most of the costs of part-time childcare for low-income working families	20
The government should pay most of the costs of full-time childcare for low-income working families	16
The government should provide free full-time childcare for low-income working families	27
Don't know	17

Source: Fabian Society YouGov poll February 2021

Figure 13 shows that a slim majority also want to see better support for childcare (52 per cent of people, after excluding those who said 'don't know'). This is despite the question we asked not explaining that more help with full-time care is needed to make work pay (which we know is a priority for many people). The option with the most support was for childcare to be free (once again echoing the findings from our citizens' jury).

A majority of respondents also supported higher benefits for a number of the representative individuals we asked about (again excluding those who said 'don't know'):

Non-working households (figure 7a)

- A 63-year-old who may not work again
- A single parent caring for a baby
- An adult who is caring full-time for a disabled relative
- An adult who is severely disabled and may not work again

- An adult who is sick and disabled but may be able to work in one or two years' time

#### Working households (figure 7b)

- A disabled adult who is only able to work part-time
- A single parent with 2 children who works full-time
- A single parent with 2 pre-school children who works part-time

Just below half (49 per cent) of respondents who offered a view also supported higher payments for couples with children where both parents are unemployed or when one is working and one is caring for a baby.

There was not significant support for raising benefits for unemployed people without children. However almost two thirds of those expressing a view supported 18 to 24-year-olds receiving the same or more as adults aged 25 to 65 (see figure 8 in chapter 2).

These findings provide strong evidence that the public would back higher benefits for most households that are expected to receive universal credit when it is fully rolled out. Taken together our questions on benefit levels for illustrative recipients, as well as our question on whether young adults should receive the same as everyone else, indicate strong public support for raising benefits for five groups. These are disabled people, young adults, lone parents in work, lone parents without work with a baby or toddler and carers of disabled people. The first four of these five together total 4.6m UC households or 74 per cent of all those projected to receive UC once it is fully rolled out (figure 14).

Our conclusions about which groups people would like to see get more are based on a high threshold for public support. We've only included groups where more than half of those expressing a view wanted the illustrative benefit recipients described to have more money. This excludes most couples with children, even though we know from this research and previous studies that a large share of the public back many couple households getting more.

The 4.6m number relies on a degree of extrapolation from the survey findings, because the illustrative individuals described in our questions are more tightly specified than the groups they represent. Given that a majority of those expressing a view wanted each individual described to receive more, it is reasonable to infer strong public support for raising benefits for the broader groups they are drawn from. However we can't say that an absolute majority supports increases for each group in their entirety.

All told, however, this evidence shows that strong public support can be forged for higher social security for a large majority of future UC recipients.

**FIGURE 14: THERE IS CLEAR PUBLIC SUPPORT FOR HIGHER BENEFITS FOR THREE-QUARTERS OF HOUSEHOLDS EXPECTED TO RECEIVE UNIVERSAL CREDIT**

Recipient groups (and related survey text - the illustrative recipients specified in the survey do not include everyone in the group they represent)	Number of UC households	Share of UC households
<b>Disabled people, in or out of work</b> 'An adult who is severely disabled and may not work again' 'An adult who is sick and disabled but may be able to work in one or two years' time' 'A disabled adult who is only able to work part-time'	<b>3.7m</b>	<b>58%</b>
<b>Young adults aged 18-24, in or out of work</b> 'those aged 18-24 who are claiming universal credit should receive more / the same as those aged 25 to 65' <sup>1</sup>	<b>670,000</b>	<b>11%</b>
<b>Lone parents, in work</b> 'A single parent with 2 children who works full-time' 'A single parent with 2 pre-school children who works part-time'	<b>860,000</b>	<b>14%</b>
<b>Lone parents with a baby or toddler, out of work</b> <sup>2</sup> 'A single parent caring for a baby'	<b>140,000</b>	<b>4%</b>
<b>Carers of disabled people, in or out of work</b> 'An adult who is caring full-time for a disabled relative'	<b>700,000</b>	<b>11%</b>
<b>Total (excluding carers)</b> <sup>3</sup>	<b>4.6m</b>	<b>74%</b>

Source: Fabian Society YouGov poll February 2021. Groups who a majority wanted to see get more, combining the results from figures 7a, 7b and 8.

<sup>1</sup> This question asked about equality between age-groups not increasing benefits for young adults.

Respondents could in principle support lower payments for older age-groups not levelling up for young adults.

<sup>2</sup> Excludes lone parents without work with 3 or more children (reflecting responses in figure 11)

<sup>3</sup> Carer households excluded unless they are also in another group (which many are)

## Consensus between demographic groups

Going beneath these headline results, it is also important to understand the extent to which there is agreement or divergence between different social and demographic groups.

We examined the views of **current social security recipients** to ensure that their opinions and perspectives are fully reflected in decisions that will affect them more than anyone else. Not surprisingly social security recipients (aged under 65 and excluding people only receiving child benefit) are more supportive of increased spending on benefits than the population as a whole.

The most important divergence between recipients and the whole adult population is over benefits for the unemployed and the two-child limit. Figure 15 shows that on both these issues, a majority of social security

recipients support extra spending, while a majority of the population does not.

Benefit recipients are not unanimous in backing improved social security however. Their views tend to mirror those of the broader public when it comes to the strength of their support for spending on different groups. The survey shows there is not a clear-cut divide between ‘recipients’ and ‘non-recipients’ (something that was also evident from our citizens’ jury’s deliberations).

We also looked in detail at the views of **2019 Conservative voters**. Figure 15 compares their responses to those of social security recipients (of course there is overlap between these two groups). Conservative supporters are of particular interest because they are the group least supportive of spending more on social security, of those examined in our poll. We can therefore be confident that improvements backed by a majority (or near majority) of Conservative voters will be able to secure very broad agreement across the population. Understanding 2019 Conservative opinion is also politically important both because existing ministers will be particularly mindful of their supporters’ views; and because rival political parties are seeking to win the votes of current Conservative supporters.

Figure 15 shows that after excluding those who said ‘don’t know’, 47 per cent of Conservative voters want to retain (or improve) the 2020 universal credit uplift. The survey also found majority support among Conservatives for equalising benefit levels between 18 to 24-year-olds and 25 to 65-year-olds; and between 25 to 65-year-olds and people over 66.

Looking at specific groups without work, a majority of 2019 Conservative voters supported higher benefits for:

- An adult who is caring full-time for a disabled relative.
- An adult who is severely disabled and may not work again.

while more than 40 per cent supported higher benefits for:

- A 63-year-old who may not work again.
- An adult who is sick and disabled but may be able to work in one or two years’ time,

A majority of Conservative voters also supported extra spending on some working households:

- A disabled adult who is only able to work part-time.
- A single parent with two pre-school children who works part-time.
- A single parent with two children who works full-time.

This support for working lone parents is particularly notable given the stigma associated with single parent families a generation ago.

Across all these groups there was little support for reducing benefit payments among Conservative voters (people against improvements usually backed current levels of spending). The only case where a large minority supported a cut (41 per cent of those expressing a view) was for 'an unemployed adult without children'.

Figure 15 also shows where the views of our samples of social security recipients and 2019 Conservative voters have most in common (indicated by the >< symbol). The results are most similar when it comes to spending more on disabled people, carers and working families, and on support for equalising benefits between age-groups. This similarity is another marker of potential consensus (with convergence usually occurring on questions where Conservative voters are most supportive of spending).

From this dive into the views of social security recipients and Conservative voters, we can say that very broad consensus is possible on retaining the £20 uplift introduced in 2020 and for raising benefits for young people, severely disabled people, carers and working lone parents.

**FIGURE 15: THERE IS AGREEMENT ACROSS DEMOGRAPHIC GROUPS ON SOME KEY IMPROVEMENTS**

Percentage of those expressing an opinion (ie 'don't know' excluded)	All adults	Benefit recipients aged 18-65	2019 Conservative voters
<b>Social security benefits that increased at the start of the Covid-19 pandemic (full text figure 6)</b>			
Amount paid should stay the same or increase (two options combined)	67	86	47
<b>Group specified should receive more in benefit payments than they do currently (two options combined - full text figures 7a and 7b)</b>			
<b>Not working</b>			
>< An adult who is severely disabled and may not work again	77	83	67
>< An adult who is caring full-time for a disabled relative	76	85	64
A 63 year-old who may not work again	62	76	49
A single parent caring for a baby	58	71	37
>< An adult who is sick or disabled but may be able to work in 1 or 2 years' time	56	66	42
An unemployed couple with 2 children	49	61	32
An unemployed adult with no children	31	52	14
<b>Working</b>			
>< A disabled adult who is only able to work part-time	71	82	58
>< A single parent with 2 pre-school children who works part-time	68	76	55
>< A single parent with 2 children who works full-time	65	70	53
>< A couple with 2 pre-school children, where one works full-time and the other looks after the children	49	60	37
>< A couple with 2 children who both work full-time	41	47	28
>< A single adult working full-time living in a shared flat	34	41	20
<b>Other topics</b>			
Universal credit should provide extra money for additional children (two options combined - full text figure 11)	43	59	24
>< Those aged 18-24 who are claiming universal credit should receive more or the same as those aged 25 to 65 (two options combined - full text - figure 8)	63	73	56
>< Those aged 25-65 who are claiming universal credit should receive more or the same as those aged 66 and over receiving the state pension or pension credit (two options combined - full text figure 8)	77	81	70
The government should pay most or all the costs of full-time childcare for low-income working families (two options combined - full text figure 14)	52	59	38

Source: Fabian Society YouGov poll February 2021.

>< indicates questions with greatest agreement between Conservative voters and social security recipients. Sample sizes: all adults – 1647; Conservative voters – 599; social security recipients aged 18-65 – 273

## The views of experts

We brought together an advisory group including experts by experience, and representatives of charities and think tanks across the political spectrum. We consulted all members of the group on their reactions to the ideas for reform that had been supported by the citizens' jury and the survey of the public.

### **Level of payments**

Everyone in the expert group wanted universal credit to be more generous in one way or another.

At the very least they wanted the money allocated to the £20 per week temporary uplift to remain within the UC budget permanently. Most wanted to keep the policy unchanged, while one contributor suggested the budget should stay but might be spent in other ways.

Some contributors wanted very significant increases in benefit levels that would take recipients up to or over the minimum income standard. Others supported moderate increases but were mindful of the costs and potential public hostility (including from people on low incomes not receiving benefits). Several stressed that strong work incentives must remain following any increases in out-of-work payments.

Several said they would ideally like a 'start from scratch' approach to levels of payments, based on clear principles and evidence; but they thought in practice incremental increases to specific allowances would be more politically realistic. Some warned that whatever reforms are introduced, they should entail minimal upheaval for recipients: 'starting from scratch' on payment levels must not mean another complicated transition to a wholly new system.

### **Support for specific groups**

No one objected to proposals for significant improvements in payments for carers and parents of babies (views differ on whether extra money should be available for parents of children up to the age of one or three). Most contributors also supported better payments for disabled people, including people with moderate disabilities. But there was a counterview that long-term recipients without work often have complex overlapping challenges and look very like each other, whether they are formally assessed as disabled or being able to seek work.

## **The two-child limit**

Most contributors strongly supported scrapping the two-child limit. One said reform should be ‘considered’ and another wanted the limit retained for households out of work but scrapped for working families. This option at least would be likely to be acceptable across the political spectrum.

## **Childcare**

There was strong agreement that work should always pay, including for people with childcare needs. No one disagreed with proposals for higher childcare payment limits to provide more support to parents needing full-time childcare or with large families. Several contributors supported the idea of all reasonable childcare costs being fully covered through UC (although some said that supply side subsidies that benefit all parents would be best of all).

## 4. PLANS FOR REFORM

This chapter takes the reform ideas our research says the public support and translates them into concrete proposals. It presents packages of policies for improving the adequacy of social security for children and working-age adults over the next five to 10 years.

We outline two approaches – one for incremental improvements and the other for redesigning payments from scratch. Both rely on insights generated by our research, but the overall cost of the ‘start from scratch’ option means it would be unlikely to secure majority support in the short term. By contrast, we think the ‘incremental’ option could command strong support right now.

Both options are of a sufficient scale to make a decisive difference to poverty and living standards. For that reason they are expensive. In particular, while the second ‘start from scratch’ approach is a plausible pathway for spending over five or more years it could not be promised in a costed election manifesto for implementation during the first stage of a new government.

Action on social security needs to be set alongside other strategies to raise living standards – especially interventions in the labour market and housing market, stronger public services, and the design of taxes. But policies in these areas will not succeed without social security reform: action in line with our recommendations is essential to achieve a step change in income security in the UK.

We assume that the changes we call for take place in the context of today’s overwhelmingly means-tested system (some of the extra payments we envisage could be universal rather than means-tested, though this would make the proposals more expensive). In our companion report we consider whether an expansion in contribution-based support could sit alongside these plans.

Recommending a reinvigorated means-tested system is not an endorsement of universal credit as it exists today. UC is seriously flawed in ways that go beyond the generosity of its payments as we demonstrated in the 2019 Fabian Society report *Where Next?* (see box on page 39). Nevertheless the existing architecture and technology of UC can be used as a starting-point

for developing an alternative single household benefit which can overcome most of the benefit's current problems. Some of these essential changes would involve financial costs not considered in this chapter (in particular, introducing an initial payment to end the UC five week wait would cost at least £1bn per year).<sup>23</sup>

A new name for the system will also be needed. One option to consider is **Security for All**. This name signals that the system is there to support people in work as well as out of work, in a very wide range of circumstances. It embodies the principle that social security exists to provide income security for everyone, for whenever they need it. It is for people who are not currently receiving social security as well as those who are, offering a minimum income guarantee that everyone knows they can fall back on.

### **Where Next? proposals on universal credit (2019)**

Our 2019 Where Next? project consulted policy experts and social security recipients on the future of UC and a majority who contributed argued against scrapping the principle of a single integrated household benefit now that it is in place. Where Next? recommended reform to UC on three fronts after which the benefit would be fundamentally different in character:

- Increase the level of payments (the focus of this report)
- Replace the toxic policies surrounding UC
- Transform UC's design and operation

Following these changes, a new name and a brand untainted by association with today's system could be introduced.

**Replace the toxic policies surrounding UC:** Policies and practices that are ancillary to the core design of UC go a long way to explaining why it is treated with such suspicion. The infrastructure that surrounds the benefit must be reformed to treat people well. The key principles for making the system more people-led are: (a) more consultation and involvement, (b) better customer 'journeys', (c) income maximisation strategies, (d) relaxing conditions and ending sanctions in most circumstances, (e) reforming health assessments, (f) improving employment support services and (g) offering adequate redress.

**Transform UC's design and operation:** Most of the issues with UC arise from the failure of ministers since 2010 to design the benefit around the lived experience of low-income households. The key design and operational changes proposed are: (a) ending the five-week wait, (b) reforming the allocation of payments within couples, (c) routinely offering the option of two or four payments per month; (d) paying housing costs to landlords, (e) responding faster when payments are to rise, (f) responding slower when payments are to fall by smoothing changes over a number of months, and (g) routinely offering alternatives to digital.

## Reformed payments

There are two broad strategies for increasing living standards through means-tested social security: (1) incrementally increase existing elements of social security payments, while retaining the broad design of entitlements; or (2) redesign payments from scratch to achieve specified outcomes (by designing allowances in relation to evidence on the adequacy of incomes for people in different circumstances).

The first ‘**incremental**’ approach would take UC’s current schedule of payments as a starting point. Most existing payments would be nudged upwards from their current level and new ones would be created where needed. The beginning of this strategy would be to retain the improved housing support and £20 uplift introduced during the pandemic. Figure 16 illustrates this approach, presenting the extra payments we tested in our microsimulation modelling.

**FIGURE 16: CHANGES TO PAYMENTS UNDER OUR ILLUSTRATIVE ‘INCREMENTAL’ APPROACH**

	<b>Action</b>	<b>Weekly amount (2020/21)</b>
1 <sup>st</sup> adult	Keep £20 per week uplift	£94 (+£20)
2 <sup>nd</sup> adult	No change	£43 (no change)
18-24 year-old	Equalise to 25-65 rate	£94 (+£34)
1 <sup>st</sup> child <sup>a</sup>	Extra £10 per week	£85 (+£10)
2 <sup>nd</sup> child	No change	£68 (no change)
3+ child	<b>OPTION:</b> restore 2-child limit	£68 (+£41)
Moderately disabled adult	Restore £30 per week payment	£124 (+£50)
Severely disabled adult <sup>b</sup>	Extra £10 per week	£184 (+£30)
Carer of disabled relative	Extra £10 per week	£132 (+£30)
Carer of 0-2 year-old	New £30 per week payment	£125 (+£50)
Rent support	Cancel freeze in rent support (so maximum support is 30 <sup>th</sup> percentile rent for each local market)	£57-£633 per week
Council tax support	No council tax to pay for households with no other income (not modelled)	
Childcare	Increase maximum eligible childcare payment	Up to £280 (age 0-2) or £150 (age 3+) per child
Work allowance 1 <sup>st</sup> earner	Extra £14 per week for lone parents & disabled	£82 of exempt earnings
Work allowance 2 <sup>nd</sup> earner	New £14 per week for 2 <sup>nd</sup> earner	£14 of exempt earnings
Benefit cap	Increase by 20%	£309 to £531

<sup>a</sup> Payments for children include child benefit. Amounts are for children born after April 2017 (when 1<sup>st</sup> child payments were cut and the two-child limit introduced). Our modelling applies this change to all children to illustrate the final end-state impact of UC reforms now underway.

<sup>b</sup> Payments for disabled people exclude benefits to meet extra costs of disability (eg personal independence payment). The payment for severely disabled people is just higher than the maximum previously available under ESA, removing one of the most unfair cuts introduced by UC.

The second strategy would ‘**start from scratch**’ and design payments to achieve agreed levels of adequacy. The starting point for this approach is evidence on people’s minimum needs and the disposable income required to meet them – ie research on minimum income standards. Decisions on a new schedule of payments should also take account of public opinion, effects on work incentives, the likely duration of need for different groups and the affordability of measures for taxpayers. These are judgements not objective truths, and they should be steered by public and expert deliberation.

Figure 17 presents the policy outcomes targeted by an illustrative ‘start from scratch’ reform developed for this project and figure 18 specifies the detailed 2020/21 payments modelled to achieve these outcomes. As a starting point, everyone without work receives a payment worth half the MIS for their size of household as a modest minimum income guarantee. Parents with children, carers and moderately disabled people without work receive three-quarters of MIS (around the poverty line) and severely disabled people and families with children aged two or under get more. All these increases also translate into higher payments for people in work – and there are also specific top-ups for some working households – meaning that everyone who is working reasonable hours given their circumstances can achieve an income that exceeds the MIS. To prevent living standards being eroded by other essential costs, council tax support is incorporated into universal credit, housing support is increased to cover all the costs of moderate rents, and reasonable childcare costs are covered in full.

### FIGURE 17: OUTCOMES FOR LIVING STANDARDS OUR ILLUSTRATIVE ‘START FROM SCRATCH’ PAYMENTS SEEK TO ACHIEVE

	<b>Without work</b>	<b>With work</b>
At least 50% of MIS	Households without work with no children, disabled people or carers <b>MINIMUM INCOME GUARANTEE</b>	
At least 75% of MIS	Households without work with children, carers and people with moderate disabilities	Households with limited work with no children, disabled people or carers
Between 75% and 100% of MIS	Households without work, with young children or parents who are carers or disabled	Households with limited work with children, disabled people or carers
At least 100% of MIS	Households without work where everyone is severely disabled	Households where everyone works hours that are reasonable for their circumstances with children, disabled people or carers. Households where everyone works full time with no children, disabled people or carers

**FIGURE 18: NEW PAYMENTS UNDER OUR ILLUSTRATIVE 'START FROM SCRATCH' SCENARIO**

	Income goal for non-working household <sup>a</sup>	Comment	Illustrative weekly amount (& change from now) 2020/21 values <sup>b</sup>
1 <sup>st</sup> adult	At least 50% of MIS	A platform for more generous payments for all recipients. An improved but still low living standard for unemployed adults	£100 (+£26)
2 <sup>nd</sup> adult	At least 50% of MIS	A large increase is required to achieve parity between singles and couples	£70 (+£28)
18-24 year-old	At least 50% of MIS	A large increase is required to achieve parity between 18-24s and 25-65s	£100 (+£41)
1 <sup>st</sup> child <sup>c</sup>	At least 75% of MIS	Adult and 1 <sup>st</sup> child payment together take unemployed households to the poverty line. A new platform for all families with children	£110 (+£35)
2 <sup>nd</sup> child	At least 75% of MIS	Payments are lower than now (more than offset by higher adult and 1 <sup>st</sup> child payments)	£55 (-£13)
3+ child	At least 75% of MIS	<b>OPTION:</b> Not supported by a majority of the public but necessary to take all unemployed families with children to the poverty line	£55 (+£41)
Moderately disabled adult <sup>d</sup>	At least 75% of MIS	Takes single disabled adults to the poverty line. A platform for more generous payments for working disabled people	£150 (+£76)
Severely disabled adult	At least 100% of MIS	Takes severely disabled people to around the MIS	£200 (+£47)
Carer of disabled relative	At least 75% of MIS	Takes a single carer to the poverty line. A platform for more generous payments for working carers	£150 (+£38)
Carer of 0-2 year-old	80% to 100% of MIS	Takes non-working families with young children above the poverty line.	£150 (+£76)
Housing support	No reduction to living standards from rent	All rents eligible for support, subject to local and national upper limits significantly higher than current levels	Data not published
Council tax support	No reduction to living standards from council tax	Integrate council tax support into national social security, with liability covered in full if social security is only income (treating 18-65s and low-income pensioners alike). Incentives for extra earnings are improved	Full value of council tax (could be capped at Band E)
Childcare	n/a	Increase maximum eligible childcare costs and make childcare free for low/middle earning households (tapered away for people with medium/high incomes)	Up to £330 (age 0-2) or £175 (age 3+) per child
In-work payments: 1 <sup>st</sup> earner	n/a	Keep first £5,000 of annual earnings (lone parents, disabled)	£96 of exempt earnings (+£29)
In-work payments: 2 <sup>nd</sup> earner	n/a	Transfer incentive to work from 1 <sup>st</sup> earner to 2 <sup>nd</sup> earner in couple. Second earners in couples are responsive to incentives and often benefit little from working at present while 1 <sup>st</sup> earners in couples usually work	£96 of exempt earnings (+£96 and -£67))
Benefit cap	No reduction to living standards from cap	Scrap the benefit cap. New underlying entitlements determine maximum awards	-

## NOTES TO FIGURE 18

<sup>a</sup> Increases targeting these outcomes for non-working households deliver the same cash improvements to working households receiving social security in the same family circumstances

<sup>b</sup> Our illustrative payment levels for single adults, couples and children are based on the OECD's standard 'equivalisation scale' for comparing the costs of living for different sizes and compositions of household. Researchers are exploring whether this scale is sufficiently accurate for low-income families in the UK, but we do not address this important topic here.<sup>24</sup>

<sup>c</sup> Payments for children include child benefit. The reforms equalise payments for children born before and after April 2017 (when 1st child payments were cut and the two-child limit introduced). Our modelling baseline assumes all children start by receiving post-April 2017 payments to illustrate the difference between these proposals and the end-state created by UC reforms now underway.

<sup>d</sup> Payments for disabled people exclude benefits to meet extra costs of disability (eg personal independence payment)

Under both these strategies, the first action of an incoming government should be to **index annual increases in payments** for children and working-age adults either to earnings or to the 'triple lock' used for pensioners. For as long as benefits are frozen or increased only in line with prices, they will fail to help people with low and middle incomes share in rising living standards. The case for this indexation policy should be made with respect to fairness between young and old, something we have seen can attract strong public support. It should be guaranteed in primary legislation.

## The reforms in detail

Both strategies take the same broad approach to increasing UC payments, but with the 'start from scratch' approach taking things further than the 'incremental' strategy. Full specification of the reforms is presented in the appendix.

**Basic adult payments:** levels of payment should be set at a significantly higher level than they were before the temporary 2020 uplift. This both reduces extreme hardship for those for whom this basic allowance is the only source of income and provides a strong underpinning for the rest of the system, whether people are in or out of work. This approach should include better payments for under-25s and couples who are currently treated less favourably than single 25 to 65-year-olds. These basic payments will still be low compared to average earnings, minimum income standards or the minimum income provided to pensioners (this is on grounds of affordability, public opinion and work incentives).

**Payments for children:** a higher payment for the first child in a family should be reintroduced (it was scrapped in 2017). This will help compensate for the low level of payments for adults: the aim of the first child payment should be to lift households with children towards a minimum living standard not just to meet the incremental needs of the first child. To support large families who are at high risk of hardship the two-child limit should

ideally be abolished even though it is popular with the public (we describe this reform as an ‘option’ because of public scepticism, but it is an essential policy if we are to move towards acceptable living standards for all children). At the very least, the limit should be scrapped for working families.

**Payments for special circumstances** eg disability, caring for disabled relatives and caring for young children: Most people out of work should receive extra help through these payments, compensating for the low basic adult payment, and targeting money to groups the public wants to see receiving more. Existing payments for carers and severely disabled people should be increased, payments for moderately disabled adults should be reintroduced, and a new payment for parents caring for children aged two and under should be created. The latter would be an important new arm of social security to support child development and target deprivation and inequality in the early years.

**Support for rent:** today the frequent failure of social security to cover the cost of a reasonable rent is a significant drag on the living standards of many low-income households. At a minimum rent support for private sector tenants should cover the full costs of a modest home in every part of the country, taking account of current rents (the policy of supporting housing costs up to the 30th percentile of local rents was dropped in 2016, reinstated in 2020 and then dropped again in 2021). Social rents should also be covered in full. Going further there is a case for making rent support more generous: as universal credit is designed to support around half of families with children, there is a logic to it being sufficiently generous to cover at least the costs of a median local rent.\*

**Support for council tax:** People who are out of work with no other income should have all the costs of council tax covered by social security (as is the case for pensioners). Otherwise the money people get to cover their basic living costs is diverted to council tax bills further reducing their living standards. Initially this can be achieved by revising the rules and funding of local government council tax support schemes. But ideally council tax support should also be absorbed into the national social security system to improve work incentives. At the moment, as people increase their earnings their UC and council tax support can both be reduced at the same time. This

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\* No action is needed to support owner occupiers in work as people without rental costs currently receive a £50 per week bonus through the work allowance system (effectively a contribution towards their housing costs). But consideration could be given to replacing Support for Mortgage Interest loans for people without work (which have negligible take-up) with a more generous system.

leaves some working households with only 20p more in disposable income for every extra pound they earn.

**Support for childcare:** parents with childcare needs should always know they will be better off if they work more hours, whatever their circumstances. At the moment this is not true for parents who need to use full-time childcare (ie with young children) or with more than two children. This is because the limit for UC childcare payments is set below the cost of full-time childcare and is capped at two children. This cap on how much childcare the system will support should be scrapped or significantly increased to equate to the reasonable costs of full-time childcare for each child. To further improve incentives and living standards for parents needing childcare, social security could be extended to cover 100 per cent of childcare costs (ie free childcare for low and middle income households).\*

**Further support for people in work:** Payments should be designed to ensure that working extra hours always pays and that everyone on the minimum wage or national living wage can achieve an acceptable standard of living, when they are working reasonable hours given their personal circumstances. As universal credit is an integrated benefit for people with and without work our proposed higher payments for adults, children and housing will benefit working households just as much as those without work. In addition, the proposals for council tax support and childcare are specifically intended to make work pay. If policy makers want to go further still to improve work incentives and in-work living standards they can increase work allowances (the level of earnings disregarded before UC start to be withdrawn). The first priority here should be to introduce a work allowance for second earners in couples who have very weak incentives to work at present (on cost grounds this could replace work allowances for the first earner in a couple).†

**Reform the benefit cap:** at present there is a cap on benefit payments for some types of household, regardless of their underlying entitlement (those affected usually have high rents or large families, and come from households where the adults are unemployed, moderately disabled, looking

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\* These reforms assume that childcare continues to be charged to families at current levels, but another approach would be for the government to extend free or very cheap universal childcare by subsidising providers (beyond the scope of this project).

† Conversely policy makers might conclude that higher out-of-work payments should lead to a less generous approach to withdrawing benefits from working households (to partially offset the extra amounts working households will receive from allowances being more generous). For example, nationalising council tax support while retaining UC's current earnings rules would lead to a big expansion in coverage and cost, compared to the old national council tax benefit. Savings could be achieved by reducing UC work allowances and/or increasing the taper used to withdraw payments as earnings rise (while still ensuring people are better off than under today's UC and council tax support combined).

after children or have very low earnings). Our proposals for improvements to social security will lead to more households having their benefits capped, if the current policy is retained. The benefit cap is a flawed policy because it arbitrarily deprives people of income that other parts of the social security system have awarded on the basis of need. However, it is a popular policy. The cap could be increased by a significant amount, such as 20 per cent, or scrapped altogether.

See appendix for further details on individual reforms.

## Impact of the reformed payments

We used the Landman Economics tax transfer model to estimate some of the benefits and costs of the reform options we explore. As we are interested in the long-term future of social security our modelling looks at a scenario where universal credit has been fully rolled out, without any transitional protections (this includes an assumption that all children are subject to the rules that apply to those born after April 2017). We also assume that the labour market has returned to pre-pandemic conditions with respect to employment and earnings.

For each reform we report the number of households that gain; the effect of the measure on the number of people and children in poverty;\* and the cost to the exchequer. All our results are for the UK (and assume that decisions taken for Scotland and Northern Ireland mirror those in the rest of the UK).

To start we examined the long-term effect of retaining the temporary measures introduced by the government in 2020 – the £20 uplift and reform to housing support. If these had taken effect following complete roll out of UC, our model projects they would have lifted 900,000 people (including 400,000 children) out of poverty. They would cost £7.2bn per year or 0.3 per cent of GDP. Making these temporary measures permanent is an essential beginning for any living standards strategy – and this higher baseline will make additional measures more attainable in future.

Beyond that, the modelling shows that the proposals overall could have a decisive impact on living standards and poverty. We modelled the combined effect of the proposals and the complete ‘start from scratch’ package would **at least halve child poverty**, at an estimated cost of 1.5 per cent of GDP (or 1.2 per cent over the 2020 baseline). Even the incremental

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\* We use the most common measure of poverty: 60% of contemporary median income, after housing costs, adjusted for size of household. We are mindful of the limitations of this measure (eg with respect to disability and childcare costs); however these are less of an issue when it comes to reporting differences between alternative policy scenarios (as opposed to levels of poverty for different groups) because results for different poverty measures tend to move together.

reforms would reduce child poverty by at least a third, at a cost of 0.7 per cent of GDP (0.4 per cent over the 2020 baseline).

Looking at the **'incremental' strategy**, in addition to keeping the 2020 measures the most significant reforms are: the increments for disabled people (£2.5bn per year); the extra £10 per week for each family with children (£1.6bn); introducing the new £10 per week payment for carers of children aged 0 to 2 (£1.4bn); and the option of abolishing the two-child limit (£1.4bn). Figure 19 shows that overall poverty could fall by 2.6m and child poverty by 1.3m. The 2020 uplift makes the largest single contribution to reducing poverty, followed by ending the two-child limit, increasing payments for the first child and introducing a new payment for carers of children aged two and under.

The costs of the **'start from scratch' strategy** are obviously higher, and would have to be phased in over a number of years. The new basic adult payment is the most expensive single element (including the new rates for 18 to 24-year-olds and couples). It would cost £12bn (£5.8bn more the 2020 uplift to adult rates). The new disability payments would cost £6.9bn, the new children's payments £4bn, and the new allowance for carers of children from birth to two would be £2.4bn. But there is a big upside to these heavy costs. Figure 19 shows that the measures could cut poverty by 3.8m people and child poverty by 1.9m. The measures with the greatest impact on poverty levels would be the new basic payments for adults, the new child payments, reforms to council tax support, reforms to housing payments and the increases to disability payments.

Both the 'incremental' and 'start from scratch' strategies are compared to a baseline scenario which assumes universal credit has been rolled out in full and transitional protections have expired (treating all children as if they had been born after April 2017). This takes the baseline down and therefore is the outer limit of the costs. The 'real-world' baseline will depend on the year that the reforms are implemented and the pace at which universal credit rolls out. In the case of disabled people and children, the current transitional protections mean that the initial extra costs would be considerably less than those we present. The positive impacts on poverty would also be lower initially. The full effects of the reforms would then be felt increasingly over time as transitional protections gradually applied to fewer and fewer households.

FIGURE 19: IMPACTS OF THE 'INCREMENTAL' STRATEGY

	Action	Households benefiting	Reduction in poverty	Reduction in child poverty	Cost
1 <sup>st</sup> adult (2020 measure)	Keep £20 per week uplift	6.4m	800k	300k	£6.4bn
Rent support (2020 measure)	Maximum rent support of 30 <sup>th</sup> percentile of local rent	1.7m	100k	70k	£800m
18-24 year-old	Equalise to 25-65 rate	700k	70k	20k	£600m
1 <sup>st</sup> child <sup>a</sup>	Restore extra £10 per week	3.2m	300k	200k	£1.6bn
3+ child <sup>b</sup>	<b>OPTION: no 2 child limit</b>	800k	400k	200k	£1.4bn
Moderately disabled adult	Restore £30 per week payment	3.7m	200k	80k	£2.5bn
Severely disabled adult <sup>b</sup>	Extra £10 per week				
Carer of disabled relative	Extra £10 per week	700k	20k	-	£400m
Carer of 0-2 year-old	New £30 per week payment	900k	300k	200k	£1.4bn
Council tax support <sup>c</sup>	End payments for households with no other income		Not modelled		£500m (IFS 2019)
Childcare <sup>d</sup>	Increase maximum eligible childcare payment	20k	-	-	£50
Work allowance	Extra £14 per week for lone parents	800k	60k	40k	£400m
	Extra £14 per week for disabled	1m	60k	30k	£500m
	New £14 per week for 2 <sup>nd</sup> earner <sup>d</sup>	500k	70k	40k	£200m
Benefit cap	Raise by 20%	300k	90k	60k	£600m
<b>ALL POLICIES COMBINED</b>	<b>Keep 2-child limit</b>	<b>6.5m</b>	<b>2.3m</b>	<b>1.1m</b>	<b>£16bn</b>
	<b>Scrap 2-child limit</b>	<b>6.5m</b>	<b>2.6m</b>	<b>1.3m</b>	<b>£17bn</b>

Source: Landman Economics <sup>a</sup> Policies for children are modelled from a baseline that assumes cuts made for those born after April 2017 apply to all children (to reflect the eventual position once all transitional protections have ended). If implemented in 2025 both costs and benefits would therefore be lower.

<sup>b</sup> This restore payments for severely disabled people to a level just above the maximum available under Employment and Support Allowance. Many disabled people will remain on the ESA rates as a result of transitional protections. If implemented in 2025 both costs and benefits would therefore be lower.

<sup>c</sup> The council tax measure is not modelled because it would be a new minimum requirement within the localised council tax support scheme funded by central government grant. The cost estimate comes from *The impact of local council tax support schemes*, Institute for Fiscal Studies, 2019.

<sup>d</sup> These reforms that are expected to have significant behavioural effects which means results are uncertain (overall costs could fall if new incentives increased earnings).

FIGURE 20: IMPACTS OF THE 'START FROM SCRATCH' STRATEGY

	Weekly amount (2020/21 prices)	Households benefiting	Reduction in poverty	Reduction in child poverty	Cost
1 <sup>st</sup> adult	£100				
2 <sup>nd</sup> adult	£70				
18-24 year-old	£100	6.5m	1.8m	800k	£12bn
1 <sup>st</sup> child <sup>a</sup>	£110				
2 <sup>nd</sup> child	£55	3.3m	700k	400k	£4bn
3+ child <sup>a</sup>	<b>OPTION:</b> £55	800k	300k	200k	£900m
Moderately disabled adult	£150				
Severely disabled adult <sup>b</sup>	£200	3.8m	600k	200k	£7bn
Carer of disabled relative	£150	700k	10k	-	£500m
Carer of 0-2 year-old	£150	900k	500k	300k	£2.4m
Housing support <sup>c</sup>	Cover most rents	4.8m	600k	300k	£2.9bn
Council tax support <sup>d</sup>	Up to full value of council tax	6.1m	800k	400k	£4.3bn
Childcare <sup>e</sup>	Free up to high limit	400k	10k	10k	£300m
Work allowance <sup>e</sup>	£96 of exempt earnings for lone parents	600k	100k	80k	£500m
	£96 of exempt earnings for disabled	700k	90k	40k	£600m
	£96 of exempt earnings for 2 <sup>nd</sup> earner (none for 1 <sup>st</sup> earner)	400k (others lose)	(200k)	(100k)	(£800m)
Benefit cap	Scrap	300k	200k	100k	£1bn
<b>All POLICIES COMBINED</b>	<b>Keep 2 child limit</b>	<b>6.5m</b>	<b>3.6m</b>	<b>1.8m</b>	<b>£35bn</b>
	<b>Scrap 2 child limit</b>	<b>6.5m</b>	<b>3.8m</b>	<b>1.9m</b>	<b>£36bn</b>

Source: Landman Economics

<sup>a</sup> Payment values for children include child benefit. Policies for children are modelled from a baseline that assumes cuts made for those born after April 2017 apply to all children (to reflect the eventual position once transitional protections have ended). If implemented in 2025 both costs and benefits would therefore be lower.

<sup>b</sup> Payments for disabled people exclude benefits to meet extra costs of disability (eg personal independence payment). Many disabled people will remain on higher ESA rates as a result of transitional protections. If implemented in 2025 both costs and benefits would therefore be lower.

<sup>c</sup> The reform modelled is for social security to cover all existing rents but in practice a cap would be needed to steer future housing choices.

<sup>d</sup> Integrating council tax support into UC is expensive compared to the old council tax benefit. This is mainly caused by a large increase in households receiving support (2.4m households in England currently receive council tax support; with the reform projected to cover 6.1m households). Some of this cost could be clawed back for example by reducing work allowances or increasing the taper used to withdraw payments as earnings rise.

<sup>e</sup> Reforms expected to have significant behavioural effects which means results are uncertain (costs could be lower if new incentives increased earnings).

The ‘incremental’ and ‘start from scratch’ reforms can each be treated as either a complete strategy or a menu of options. Looking at individual measures, a number stand out as being particularly affordable and/or effectively targeted at reducing poverty. Figure 21 shows that the first place to start, for a relatively cheap and highly effective intervention would be with work allowances for lone parents and second earners.

**FIGURE 21: EXAMPLES OF THE MOST AFFORDABLE AND EFFICIENTLY TARGETED POLICY MEASURES MODELLED**

Measure	Cost	Most affordable	Most efficiently targeted at reducing poverty
Raise cap on childcare costs*	£50m	x	
New £14 work allowance (2 <sup>nd</sup> earners)*	£200m	x	x
Free childcare*	£300m	x	
£14 extra work allowance (lone parents)*	£400m	x	x
£10 extra for carers	£400m	x	
£14 extra work allowance (disabled)*	£500	x	
Equalise 18-24s rate	£600m	x	
Raise benefit cap by 20%	£600m	x	
OPTION: end 2-child limit (£41 per child)	£900m	x	x
£30 allowance for parents of 0-2s	£1.4bn		x
OPTION: end 2-child limit (£54 per child)	£1.5bn		x
£10 extra for 1 <sup>st</sup> child	£1.6bn		x

\* Costings do not take account of expected behavioural effects

### **Poverty impacts: uncertainties in the projections**

The modelling results come with considerable uncertainty, especially in the case of the large-scale reforms under the 'start from scratch' strategy. They are therefore indicative only. However, as a minimum the 'start from scratch' strategy will halve child poverty: the policies combined (including scrapping the two-child limit) are projected to reduce the number of children in poverty by 1.9m to a new total of 1.9m (the number of people in poverty would fall by 3.8m to 9.4m). The 'incremental' strategy would reduce child poverty by one third, by 1.3m to 2.6m.

**Measurement uncertainty:** The story could be better still. This is because the initial poverty levels we calculate (under current baseline policies) may be somewhat overstated. This is because Family Resources Survey data is known to under-report benefit income (an issue highlighted in important work by the Resolution Foundation).<sup>25</sup> That does not affect our calculations for changes in poverty between policy scenarios, but it does mean that both the initial and final numbers projected to be in poverty may be lower than reported. This means that, as a proportion of the modelled baseline, our policies could be more effective than the reported results indicate. For example, if child poverty levels are overstated by 800,000 as the Resolution Foundation suggests, the 'start from scratch' strategy would reduce child poverty by more than 60 per cent; and the 'incremental' strategy by more than 40 per cent.

**Behaviour uncertainty – employment:** In addition to uncertainty related to survey data and modelling, there are important real-world sources of uncertainty. First, following these reforms there will be behaviour change (not modelled) and the scale of this is unclear: both the taxpayer costs and the poverty impacts of the policies will depend on their effects on employment and earnings. Policies designed to improve work incentives should reduce poverty further than our projections state and at lower cost.

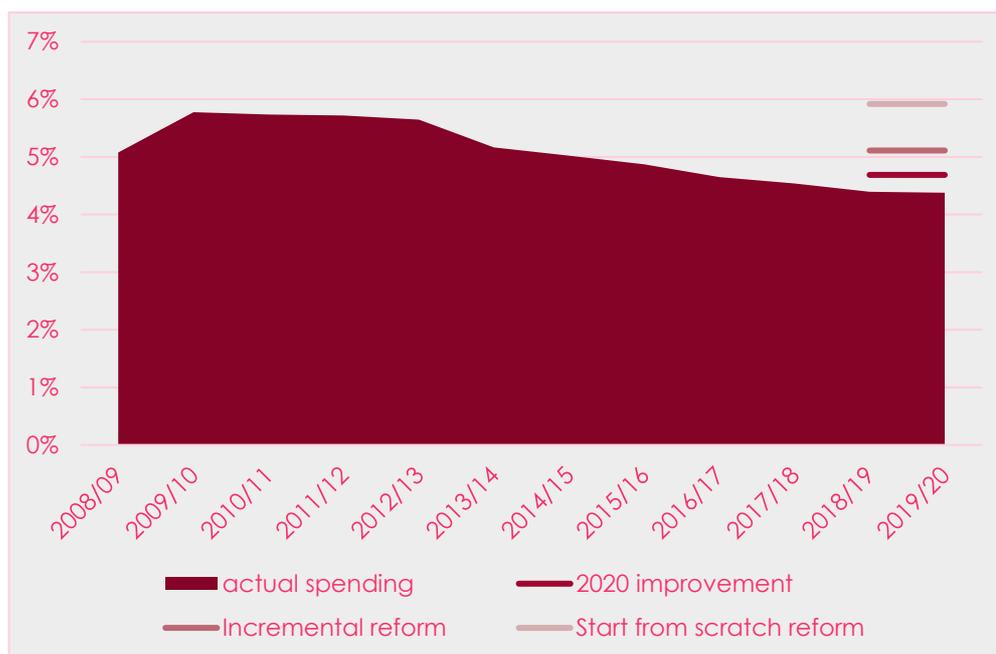
**Behaviour uncertainty – take-up:** The reforms will have an impact on the take-up of social security, with a more generous and better presented system likely to boost take-up among people who are eligible today but not claiming. Higher take-up might lead to quite significant additional gains to households. To test this, we modelled a very high take-up version of the combined 'start from scratch' package. This reduced the number of people in poverty by a further 600,000 and increased spending by £7.5bn.

## Public finances

Turning to the overall costs of the packages, figure 22 shows the costs of each package as a proportion of GDP, compared to the recent path of social security spending for children and working-age adults.

Permanently retaining the 2020 uplift (increasing spending by £7.2 bn or 0.3 per cent of GDP) would take expenditure back to levels seen in 2015/16; the ‘incremental’ reforms taken together would cost £17bn (or 0.7 per cent of GDP) and would return spending on social security for children and working-age adults to levels last seen in 2013/14; and the ‘start from scratch’ reforms would together cost £36bn (or 1.5 per cent of GDP) and would take spending to just above the peak seen in 2009/10. These illustrations use figures for 2019/20 before the pandemic.

**FIGURE 22: COSTS OF THE MODELLED REFORMS AND ACTUAL SOCIAL SECURITY SPENDING ON CHILDREN AND WORKING-AGE ADULTS OVER THE LAST DECADE (PERCENTAGE OF GDP)**



Notes: values are all for 2019/20 to report the costs of the reforms relative to the pre-pandemic economy (and with a pre-pandemic labour market). Percentage of UK GDP for social security in Great Britain.

The sums involved are obviously very significant, especially in the context of the post-pandemic economy. But the scale of spending required is not without precedent in our recent fiscal history and could be delivered over the course of five years. It would be a price worth paying: the impact of these reforms on the income security and living standards of low and middle-income Britain would be transformative.

# APPENDIX: INDIVIDUAL PROPOSALS

- Reform 1: Higher basic adult payments
- Reform 2: Higher payments for 18 to 24-year-olds
- Reform 3: Higher payments for children
- Reform 4: Higher payments for large families
- Reform 5: Reform childcare payments
- Reform 6: Higher payments for parents of young children
- Reform 7: Higher payments for disabled people
- Reform 8: Higher payments for carers
- Reform 9: Higher payments for working households
- Reform 10: Better support for housing costs
- Reform 11: Better support for council tax
- Reform 12: Reform the benefit cap

All modelling results are projections based on the full roll-out of universal credit. Costs are reported in 2020/21 prices. Poverty statistics reported use the standard official measure unless otherwise stated – ie 60 per cent of contemporary median income, after housing costs, adjusted for the size of household. Where the views of social security recipients are reported this refers to recipients aged 18 to 65 other than people only in receipt of child benefit.

## 1. HIGHER BASIC ADULT PAYMENTS

<b>Problem</b>	Without the Covid-19 'uplift', the basic UC payment for a non-working adult aged 25 to 65 is far below an acceptable minimum income at £75 per week (in 2021/22). The value of predecessor benefits has not increased in real terms for 25 years. <sup>26</sup> Couples fare even worse because the £43 increment for a second adult does not reflect the extra costs faced by two people compared to one. These low basic rates for non-working adults impact every other part of the system: they leave families with children without enough (even though payments for children are better than those for adults); and they mean that in-work payments are often insufficient to meet the minimum income standard (MIS).
<b>Impact</b>	<p><b>Numbers:</b> all 6.4 million households projected to receive UC are affected (8.7m adults, 6.4m children).</p> <p><b>Living standards:</b> Unemployed adults receive less than 40 per cent of MIS. A single adult working full-time on the national living wage has a disposable income of below 90% of MIS</p> <p><b>Poverty:</b> 65 per cent of single adults aged 25-60, without children, work or disability are in poverty</p>
<b>The public view</b>	<p><b>Citizens' jury:</b> Two-thirds of the jurors supported higher benefits in general but most initially opposed higher spending specifically for the unemployed. When the jury first discussed the 2020 uplift, a small majority supported keeping it but after co-designing reform proposals this became a large majority (including many who wanted a complete rethink of payment levels). The jury was divided about whether the second adult should receive more extra than at present.</p> <p><b>Survey:</b> More people think benefits for unemployed people are too low than too high (figure 4). Asked about payments for 'an unemployed adult with no children' of those expressing an opinion (ie excluding people who said 'don't know'), 46 per cent said the current amount was about right, 31 per cent wanted to pay more and 31 per cent wanted to pay less. But only 33 per cent of those who expressed a view thought the 2020 UC uplift should be reversed.</p>
<b>The recipient view</b>	61 per cent of social security recipients expressing a view think benefits for the unemployed are too low not too high. 52 per cent wanted payments for 'an unemployed adult with no children' to increase. Only 14 per cent of those who expressed a view said the 2020 uplift should be reversed.
<b>Reform A: incremental</b>	<p><b>Proposal:</b> Retain 2020 UC increase of £20 per week permanently for adults aged 18 to 65.</p> <p><b>Benefit:</b> 15 million people would benefit, 800,000 people and 300,000 children are lifted out of poverty</p> <p><b>Cost:</b> £6.4bn per year</p>
<b>Reform B: 'start from scratch'</b>	<b>Proposal:</b> Increase UC to £100 for single adults and £170 for couples aged 18-65 (2020/21 prices). This is around half of MIS for singles/couples without children and still leaves the basic rate of UC well below the poverty line.

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**Benefits:** As above, but especially 2.3 million couple households (who only receive one single adult uplift with the first reform); and 700,000 under-24s (the lower 18-24 rate is abolished). 1.8m people and 800,000 children are lifted out of poverty.

**Cost:** £12.2bn per year (£5.7bn more than retaining the £20 uplift)

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## 2. HIGHER PAYMENTS FOR 18 TO 24-YEAR-OLDS

<b>Problem</b>	People aged 18 to 24 receive £15 per week less in UC than adults aged 18 to 65. This applies not just to jobseekers but to UC recipients in all circumstances, out of work and in work (a similar rule previously applied only to out-of-work benefits not tax credits). Apart from saving money the rationale for the policy has been to encourage employment, but the gap between benefit rates and earnings from work on the minimum wage is now very great (especially as the national living wage will apply to 21 to 24-year-olds from 2024). This is an important issue now because under-24s have been worst hit by the pandemic labour market crisis.
<b>Impact</b>	<p><b>Numbers:</b> in a normal labour market 740,000 people aged 18-to 24 are projected to receive UC following roll-out (540,000 out of work, 200,000 in work). The numbers are much higher at present with 1,000,000 under-24s receiving UC in December 2020 (600,000 out of work, 400,000 in work).<sup>27</sup></p> <p><b>Living standards:</b> unemployed single adults and couples aged 18 to 24 receive less than 30% of MIS. A single 20-year-old working full-time on the minimum wage for 18 to 20-year-olds has a maximum disposable income of 70% of MIS and is only eligible for any UC in high rent areas.</p> <p><b>Poverty:</b> 90 per cent of 18 to 24s, not living with parents and without work or children are in poverty</p>
<b>The public view</b>	<p><b>Citizens' jury:</b> The jury strongly supported levelling-up payments for young adults. After the first session more than two thirds said people with similar needs should receive similar amounts, whatever their age. Then after a detailed discussion of generosity two thirds supported equalising rates for 18 to 24s and 25 to 65s with only two jurors disagreeing.</p> <p><b>Survey:</b> After excluding people who said 'don't know', 63% of thought 18 to 24s should receive the same (or more) than 25 to 65s, only 37 per cent said less (excludes respondents who said 'don't know')</p>
<b>The recipient view</b>	73 per cent of social security recipients who expressed a view thought 18 to 24s should receive the same (or more) as 25 to 65s; 80 per cent of 18-24s who expressed a view thought that their age-group should receive more or the same.
<b>Reform A: incremental</b>	<p><b>Proposal:</b> Raise UC rates for 18 to 24-year-olds to the same rates for 25 to 65s (after retaining the 2020 uplift for both).</p> <p><b>Benefits:</b> 700,000 18 to 24-year-olds benefit (more during a recessionary labour market), 70,000 people (including 20,000 children) are lifted out of poverty.</p> <p><b>Cost:</b> £600m per year (in addition to the £20 weekly uplift)</p>
<b>Reform B: 'start from scratch'</b>	<p><b>Proposal:</b> Raise UC rates for 18 to 24-year-olds to proposed main rates for adults (ie £100 per week for singles/£170 per week for couples). This forms part of reform 1B.</p> <p><b>Benefits:</b> 120,000 people (including 30,000 children) in 18 to 24-year-old households are lifted out of poverty.</p> <p><b>Cost:</b> £800m more than retaining the £20 uplift for 18-24s</p>

### 3. HIGHER PAYMENTS FOR CHILDREN

<b>Problem</b>	Social security provides a higher living standard to families with children than to adults without children. But disposable incomes are still nowhere near adequate for non-working households and are too low for many working families as well. Payments for a first child are insufficient (mainly because they are too low to compensate for the very low payments adults receive). In 2017 a small increment for the first child was abolished for children born from that point onward. By contrast payments for second children are roughly sufficient to meet the extra cost of having two children rather than one (see reform 4 for large families).
<b>Impact</b>	<p><b>Numbers:</b> 3.3m households with children are projected to receive UC (11.4m people including 6.4m children - close to half of all children). This comprises 900,000 non-working families and 2.3m working families; 1.5m lone parent families, 1.6m couples.</p> <p><b>Living standards:</b> Non-working families with 1 or 2 children receive less than 60 per cent of MIS. When a lone parent works part-time or only one member of a couple works on the national living wage a family with 1 or 2 children receives less than 90 per cent of MIS even if there are no childcare costs (figure 4).</p> <p><b>Poverty:</b> 82 per cent of children in non-working families with 1 or 2 children are in poverty (excluding disabled households because standard poverty measures don't capture their needs)</p>
<b>The public view</b>	<p><b>Citizens' jury:</b> the jury discussed lone parents with children and parents in low paid work. Initially the jury wanted to spend more on low earners and was evenly divided on whether to spend more on lone parents. Later a clear majority of jurors thought lone parents caring for young children should receive more than other recipients and achieve the MIS.</p> <p><b>Survey:</b> After excluding those who said 'don't know', 49 per cent of respondents thought 'an unemployed couple with two children' should receive more in benefits; for 'a single parent caring for a baby' it was 58 per cent. There were similar or higher levels of support for paying more to working families with low earnings (especially lone parents): 68 per cent of those expressing a view supported paying more to 'a single parent with two pre-school children who works part-time', and 65 per cent supported paying more to 'a single parent with two children who works full time'.</p>
<b>The recipient view</b>	61 per cent of recipients expressing a view thought 'an unemployed couple with 2 children' should receive more in benefits; for 'a single parent caring for a baby' it was 71 per cent. There were similar or higher levels of support for paying more to working families with low earnings.
<b>Reform A: incremental</b>	<p><b>Proposal:</b> An extra £10 per week for the first child. This reverses a cut that applies to children born after April 2017.</p> <p><b>Benefit:</b> 6.5m children would ultimately benefit (once children born before April 2017 are no longer receiving the old higher</p>

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level of support). 350,000 people and 190,000 children are lifted out of poverty

**Cost:** £1.6bn per year (compared to a baseline where all children receive the rates for those born after April 2017)

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**Reform B:  
'start from  
scratch'**

**Proposal:** Redesign child UC rates to lift children towards the poverty line (working alongside child benefit and higher adult rates). UC payments are designed from scratch so that non-working households with children achieve a disposable income of 75 per cent of MIS (around the poverty line). The modelled rates for 2020/21 are £89 per week for a first child and £41 for a second child (which is lower than the present 2nd child rate).

**Benefit:** 6.5m children benefit. Looking only at the impact of the new children's payments, a family with one child gains by £35 per week, a family with two by £22 per week. This lifts 700,000 people and 360,000 children out of poverty.

**Cost:** £4bn per year (compared to a baseline where all children receive the rates for those born after April 2017)

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## 4. HIGHER PAYMENTS FOR LARGE FAMILIES

<b>Problem</b>	UC recipients are not entitled to additional payments after their second child (save for exceptional circumstances and transitional protections). This leaves families with 3 or more children with only child benefit to help meet the extra living costs of each additional child. Unlike the benefit cap this rule applies even when an adult is working, disabled or caring (working parents with three or more children face a similar limit for childcare payments – see reform 5)
<b>Impact</b>	<p><b>Numbers:</b> 800,000 families with 2.8m children</p> <p><b>Living standards:</b> Non-working families with 3 or more children receive less than 50 per cent of MIS. Working parents can receive significantly less than MIS even with no childcare costs (eg less than 80 per cent of MIS for a lone parent with three children working full time on the national living wage)</p> <p><b>Poverty:</b> 94 per cent of children in non-working families with three or more children are in poverty (excluding disabled households because standard poverty measures don't capture their needs)</p>
<b>The public view</b>	<p><b>Citizens' jury:</b> A clear majority of the jury was opposed to providing extra support to families with more than two children, although some jurors were conscious this conflicted with their support for the principle of adequate living standards for children</p> <p><b>Survey:</b> After excluding people who said 'don't know' 57 per cent of adults thought UC should provide help for only two children (or no help for children at all). 43 per cent thought UC should provide at least some help to third and fourth children.</p>
<b>The recipient view</b>	41 per cent of those expressing a view thought UC should provide help for only two children (or no help for children at all). 59 per cent thought UC should provide at least some help to third and fourth children. This is one of the most important differences between the views of recipients and the general public.
<b>Reform A: incremental</b>	<p><b>Proposal:</b> End the two-child limit and extend existing UC payments to all children (ie £54 per week per child in 2020/21). As an alternative the two-child policy could be scrapped for some groups (eg in-work, disabled or caring families). This option is not costed.</p> <p><b>Benefit:</b> 2.5m children would benefit, 240,000 children are lifted out of poverty</p> <p><b>Cost:</b> £1.4bn (compared to a baseline where all children receive the rates for those born after April 2017)</p>
<b>Reform B: 'start from scratch'</b>	<p><b>Proposal:</b> End the two-child limit and introduce reform 3B second child payments to all other children after the first child (ie £41 per week). On its own this option is cheaper than the incremental reform but it forms part of a package with new higher payments for adults and first children. From the perspective of public attitudes, this option has the advantage that amounts spent directly on third or fourth children are lower, even though large families will be better off overall.</p>

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**Benefit:** 180,000 children are lifted out of poverty by this policy on its own

**Cost:** £900m (compared to a baseline where all children receive the rates for those born after April 2017)

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## 5. REFORM CHILDCARE PAYMENTS

<b>Problem</b>	<p>Insufficient support for the costs of childcare is a key reason why some working families have very low living standards, and why the incentives for moving into work or increasing hours are very poor for many (especially for parents with children under three). At present a complicated mix of childcare support includes an element of UC which provides 85 per cent of weekly childcare costs but with a low upper limit (which does not cover full-time childcare or support more than two children). One potential solution is to make UC childcare support more generous (there are other options beyond the scope of this research, including funding suppliers to provide more free or very cheap childcare). Note, the design of UC childcare support is also failing because it is paid in arrears leaving parents unable to afford bills (we do not consider this issue here).</p>
<b>Impact</b>	<p><b>Numbers:</b> 400,000 families with 700,000 children are projected to receive UC childcare support. Only 20,000 currently have childcare costs over the maximum supported by UC (but this would change if the system became more generous).</p> <p><b>Living standards:</b> Parents working full-time on the minimum wage who need full time childcare have living standards well below MIS (a lone parent with one or two children has a disposable income of around 60 per cent of MIS; a couple who both work full time with 1 or 2 children secure around 80 per cent of MIS). A lone parent with 2 children will lose money by moving from part time to full-time work; and a lone parent with three children will lose by moving from not working to working fulltime on the minimum wage. Similarly, a couple are better off with one partner working and one looking after children, than both of them working full time on the minimum wage.</p> <p><b>Poverty:</b> The standard measure of poverty does not take account of childcare costs (this issue is rectified by the new SMC poverty measure). 2015 research estimated that 80,000 more children were in poverty using an 'after childcare costs' measure.<sup>28</sup></p>
<b>The public view</b>	<p><b>Citizens' jury:</b> The jury had divided views on childcare. Initially a small majority opposed a more generous UC childcare system but also supported the principle of free childcare. After further debate the group was divided between those wanting to propose free childcare, a more generous version of the UC system or the status quo. The median position was a more generous version of the UC system. At the end of the jury, the group chose improving childcare as one of their key recommendations for politicians.</p> <p><b>Survey:</b> Public opinion is divided. After excluding those who said 'don't know', 48 per cent supported today's system (or less). 52 per cent supported a more generous system (including 33 per cent who wanted free childcare for low income parents).</p>
<b>The recipient view</b>	<p>Of those who expressed a view, 59 per cent wanted a more generous system than today's (including 39 per cent who wanted free childcare for low-income parents)</p>

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<b>Reform A: incremental</b>	<p><b>Proposal:</b> Remove or significantly increase the limit on childcare costs covered by UC so the system supports full-time childcare for every child. The current cap of £149 (one child) and £249 (two or more children) of eligible costs could be increased to around £340 per child aged 0-2 or £180 per child over three (the average costs of full-time and part-time childcare in London). UC would continue to fund up to 85 per cent of these costs (with the level of support tapered away for middle earning families).</p> <p><b>Benefit:</b> The impacts and costs of this policy are uncertain because it would lead to positive behaviour change (ie more parents in work or working longer hours). Without any behavioural changes, the policy would benefit 20,000 families.</p> <p><b>Cost:</b> £50m without behaviour change. Lifting the cap would increase UC costs but in many cases half or more of the extra spending on childcare would be recouped as a result of the family's earnings rising (through the impact on income tax, national insurance and UC being withdrawn).</p>
<b>Reform B: 'start from scratch'</b>	<p><b>Proposal:</b> Provide free childcare for low-income families in addition to raising or removing the limit on weekly costs supported by the UC system. Families would receive up 100 per cent of eligible childcare costs (with the level of support tapered away for middle-earning families).</p> <p><b>Benefit:</b> This reform would benefit 400,000 families (with 700,000 children) before any behavioural change.</p> <p><b>Cost:</b> £250m without behaviour change</p>

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## 6. HIGHER PAYMENTS FOR PARENTS OF YOUNG CHILDREN

<b>Problem</b>	Parents with children aged two and under have lower incomes than parents of older children because at least one parent is likely to be not working or working part time. Poverty is higher in these families as a result, despite there being no expectation that main carers of children aged 0-2 should be working (work search requirements begin within UC when the youngest child turns three). An extra payment for carers of young children would help redress their lower earning potential (note reform 5 on childcare would also particularly benefit working families with young children).
<b>Impact</b>	<p><b>Numbers:</b> 900,000 families with 2.1m children are projected to be in households receiving UC with a child from birth to two.</p> <p><b>Living standards:</b> Parents with young children find it harder to achieve MIS because they are likely to work fewer hours (in addition to childcare issues, discussed separately).</p> <p><b>Poverty:</b> in families with a child aged 0 to 2, 32 per cent of children live in poverty; this compares to 24 per cent where all the children are aged 3 or over. In lone parent families, 59 per cent of children are in poverty where there is a child aged 0-2, compared to 32 per cent where all the children are aged 3 or over.</p>
<b>The public view</b>	<p><b>Citizens' jury:</b> The jurors were much more supportive of spending on lone parents with young children who are not working than unemployed people. A clear majority agreed that 'lone parents caring for babies' and 'lone parents caring for two-year-olds' should receive more than people who were unemployed. Many jurors felt that lone parents with young children not working should be able to achieve MIS.</p> <p><b>Survey:</b> After excluding people who said 'don't know', 58 per cent thought a single parent without work caring for a baby should receive more in benefits, 32 per cent wanted no change, and 10 per cent said less. However there was little support for the specific proposal to pay parents of 0-2s more than parents of older children (75 per cent of those expressing a view said they should receive the same as parents of older children).</p>
<b>The recipient view</b>	Of those expressing a view, 71 per cent thought a single parent caring for a baby should receive more in benefits, 24 per cent wanted no change, and 5 per cent said less.
<b>Reform A: incremental</b>	<p><b>Proposal:</b> Introduce a new payment within UC of £30 per week for the main carer of children aged 0-2. This would provide extra income for parents with young children who are more likely to be out of work or working part-time. This policy mirrors the existing lower rate increment for disabled children (whose parents also have reduced ability to work). This targeted top-up would be cheaper and more popular than paying higher adult rates to everyone including unemployed recipients. It would also create a financial incentive for parents to increase their earnings after their child's third birthday (sitting alongside UC work requirements).</p> <p><b>Benefit:</b> 900,000 people and 2.1m children benefit. 350,000 people and 170,000 children are lifted out of poverty</p>

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	<b>Cost:</b> £1.4bn
<b>Reform B: 'start from scratch'</b>	<b>Proposal:</b> Introduce a new payment for carers of children from birth to two within UC of £50 per week. Alongside reforms 1B and 3B (ie the UC adult and child rates), this policy is designed to bring lone parents who are not working while caring for a child aged from birth to two close to the MIS. <b>Benefit:</b> The same number benefit as under reform A. 540,000 people including 330,000 children are lifted out of poverty <b>Cost:</b> £2.4bn

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## 7. HIGHER PAYMENTS FOR DISABLED PEOPLE

<b>Problem</b>	<p>People who are disabled or with a long-term illness are more likely to be out of work, more likely to have long durations of not working, and more likely to have low earnings than others. In 2017 the government abolished the extra payment made to people with moderate disabilities (the 'limited capability for work' group). Since its inception, UC has been less generous for people with severe disabilities than its predecessor (income-based employment and support allowance) which paid recipients around £25 per week more (2020/21 values). Some of this shortfall would be made up by retaining the 2020/21 UC uplift, but without further action UC will continue to be less generous to people with severe disabilities than previous benefits.</p>
<b>Impact</b>	<p><b>Numbers:</b> 3.7 million households who are projected to receive UC will include a disabled adult (1.4m with moderate disabilities, 2.2m with severe disabilities)</p> <p><b>Living standards:</b> MIS are not routinely prepared for disabled people whose essential costs are both higher than for non-disabled people and also very variable. Through UC a severely disabled single adult without work secures a living standard of below three-quarters of the MIS for non-disabled adults (their living standard could be even lower than this if their disability-related costs are greater than any disability benefits they receive).</p> <p><b>Poverty:</b> Standard poverty measures do not paint an accurate picture of disabled people's poverty (they count income provided to meet extra costs without taking account of these extra costs). This is corrected by the new SMC poverty measure (which is not used in the rest of this appendix). This shows that 38 per cent of working-age disabled adults are in poverty, compared to 18 per cent of working-age non-disabled people. Half of poor households include a disabled adult or child.<sup>29</sup></p>
<b>The public view</b>	<p><b>Citizens' jury:</b> The jurors strongly supported providing more help to disabled people. Initially around half the group thought they should receive more in benefits. After further discussion a majority of the jury wanted to give 'severely disabled people who may never work again' a lot more than other benefit recipients; and a majority also wanted to give 'people who are sick or disabled but should be able to work in one or two years' time' a little more than other recipients. Most of the jurors also felt that severely disabled people without work should be able to achieve MIS (although this view was held less strongly once the cost was discussed).</p> <p><b>Survey:</b> After excluding people who said 'don't know', 77 per cent thought 'an adult who is severely disabled and may not work again' should receive more in benefits; 71 per cent thought more should be paid to 'a disabled adult who is only able to work part time'; and 56 per cent thought more should go to 'an adult who is sick or disabled but may be able to work in one or two years' time'. But opinion on people with moderate disabilities was not clear cut: in a different question 44 per cent of those who expressed a view said people with moderate disabilities</p>

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<p><b>The recipient view</b></p>	<p>should receive more than those without a disability, while 43 per cent said they should get the same.</p>
<p><b>Reform A: incremental</b></p>	<p>Of those expressing a view, 83 per cent thought 'an adult who is severely disabled and may not work' again should receive more in benefits; 82 per cent supported paying more to a disabled adult only able to work part time; and 66 per cent thought 'an adult who is sick or disabled but may be able to work in one or two years' time' should receive more.</p> <hr/> <p><b>Proposal:</b> Increase the UC payment for severely disabled people by £10 per week. This will ensure UC pays more than the legacy benefit (ESA) which is essential for a fair transition for existing recipients. Also reintroduce a payment for moderately disabled recipients of £30 per week (replacing the element of UC cut in 2017).</p> <p><b>Benefit:</b> 3.7m households would benefit with 240,000 people lifted out of poverty (using the standard poverty measure).</p> <p><b>Cost:</b> £2.5bn per year</p>
<p><b>Reform B: 'start from scratch'</b></p>	<hr/> <p><b>Proposal:</b> Increase the UC payment for severely disabled people to £100 per week and reintroduce a payment for moderately disabled recipients of £50 per week. In addition to reform 1B (a new higher adult rate) this package would be sufficient to ensure a single severely disabled adult would have a disposable income at around the MIS threshold for non-disabled people, and a moderately disabled adult would be around the poverty line for non-disabled people (each households' living standards would depend on the extent to which any disability benefit they receive matches their essential disability-related costs).</p> <p><b>Benefit:</b> 3.8m households would benefit with 570,000 people lifted out of poverty by this measure alone (it is intended to be combined with reform 1B)</p> <p><b>Cost:</b> £6.9bn</p> <hr/>

## 8. HIGHER PAYMENTS FOR CARERS

<b>Problem</b>	Carers of sick and disabled friends and relatives are often unable to work or are forced to work far fewer hours than non-carers. People receiving UC with regular and substantial caring responsibilities are not expected to seek work and may be without earnings for a significant period. However, they receive only a modest uplift over the basic rate of UC (£38 per week in 2021/22) and a single carer without work has an income from UC that is well below the poverty line.
<b>Impact</b>	<p><b>Numbers:</b> 700,000 households containing a carer are projected to receive UC.</p> <p><b>Living standards:</b> a carer without work living alone receives a disposable income of less than 60% of MIS.</p> <p><b>Poverty:</b> 27 per cent of working age carers live in poverty compared to 21 per cent of working age non-carers.<sup>30</sup> People caring for members of their own household are especially likely to be in poverty.</p>
<b>The public view</b>	<p><b>Citizens' jury:</b> after severely disabled people, carers were the group the jury most wanted to help. When developing policy ideas jurors proposed that carers should be paid for the work they do. Following discussion almost all the jurors agreed that carers 'should receive a lot more money and ideally be paid for the work they do'.</p> <p><b>Survey:</b> After excluding people who said 'don't know', 76 per cent of adults thought that 'people caring full-time for a disabled relative' should receive more in benefits (almost the same level of support for severely disabled people).</p>
<b>The recipient view</b>	85 per cent of those who expressed a view thought that 'people caring fulltime for a disabled relative' should receive more in benefits.
<b>Reform A: incremental</b>	<p><b>Proposal:</b> increase the extra UC payment for carers by £10 per week</p> <p><b>Benefit:</b> 700,000 households benefit and 20,000 people are lifted out of poverty</p> <p><b>Cost:</b> £400m</p>
<b>Reform B: 'start from scratch'</b>	<p><b>Proposal:</b> Increase the UC payment for carers to £50 per week. Alongside reform 1B (a new higher adult rate) this package would be sufficient to ensure a single carer would have a disposable income at around the poverty line (note, this policy is only slightly more generous than reform A which raises the 2020/21 carer element to £48 per week, but it would sit alongside a higher main adult UC rate).</p> <p><b>Benefit:</b> Similar to reform A</p> <p><b>Cost:</b> £500m</p>

## 9. HIGHER PAYMENTS FOR WORKING HOUSEHOLDS

<b>Problem</b>	Working households benefit as much as non-working households from increases to the levels of UC payments proposed already. But to tackle in-work poverty there is a case for channelling money specifically at working households. The best way of achieving this is by increasing 'work allowances' (ie the rules in UC that allow people to keep an element of their earnings before payments start to be withdrawn with rising income). Higher work allowances will also create better incentives for people to move into work (though they do not reward people for increasing their earnings). UC also contains a major design flaw in its treatment of second earners (usually mothers) who do not have a work allowance of their own. This means they have a very poor or non-existent incentive to move into work.
<b>Impact</b>	<p><b>Numbers:</b> 2.9m working households are projected to be eligible for UC work allowances (based on the 2019 pre-pandemic labour market).</p> <p><b>Living standards:</b> A lone parent working part-time on the national living wage and a couple where one partner is working both have disposable incomes below 90% of MIS even if they have no childcare costs and only 1 or 2 children (see figure 4). Living standards are lower still for working families with 3 or more children.</p> <p><b>Poverty:</b> 34 per cent of single adult households where the adult works part time are in poverty; 30 per cent of couple households where only one adult works are in poverty. The rates are higher still for households with children.</p>
<b>The public view</b>	<p><b>Citizens' jury:</b> Initially two-thirds of jurors wanted to increase social security spending on 'parents who work on very low incomes'. Later a majority of the jury wanted working parents to be able to achieve MIS. Within this, there was near unanimity that a lone parent working full time on the national living wage should be able to achieve MIS, while half thought a couple where one worked and the did not should be able to.</p> <p><b>Survey:</b> After excluding people who said 'don't know', 68 per cent wanted more benefits to be paid to 'a single parent with 2 pre-school children who works part-time', 65 per cent wanted more paid to 'a single parent with 2 children who works full-time', and 49 per cent wanted more paid to 'a couple with two pre-school children, where one works full-time and the other looks after the children' (in all cases where the earner is on the national living wage).</p>
<b>The recipient view</b>	Of those who expressed an opinion, 76 per cent wanted more benefits to be paid to 'a single parent with 2 pre-school children who works part-time', 70 per cent wanted more paid to 'a single parent with two children who works full-time', and 60 per cent wanted more paid to 'a couple with two pre-school children, where one works full-time and the other looks after the children' (in all cases where the earner is on the national living wage).

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<b>Reform A: incremental</b>	<p><b>Proposal:</b> Increase work allowances for lone parents and disabled people by £14 per week. Introduce a new work allowance for second earners of £14 per week.</p> <p><b>Benefit:</b> households benefiting – 760,000 (lone parent), 1m (disabled people), 500,000 (second earners). People lifted out of poverty: 60,000 (lone parent), 60,000 (disabled people), 70,000 (second earners). Children lifted out of poverty: 40,000 (lone parents), 30,000 (disabled people), 40,000 (second earners).</p> <p><b>Cost:</b> £400m (lone parents), £500m (disabled people), £200m (second earners)</p>
<b>Reform B: 'start from scratch'</b>	<p><b>Proposal:</b> Set work allowances for lone parents and disabled people at £96 per week. Replace the work allowance for the first earner in a couple with a work allowance of £96 for the second earner (on its own this measure would increase poverty without any behaviour change, because only some working couples would benefit from it; it is intended to be combined with other 'start from scratch reforms'). Significant behavioural effects are expected, as potential second earners are very responsive to incentives.</p> <p><b>Benefit:</b> households benefiting – 590,000 (lone parent), 700,000 (disabled people), 400,000 (second earners). People lifted out of poverty: 130,000 (lone parent), 90,000 (disabled people). Children lifted out of poverty: 80,000 (lone parents), 40,000. Swapping the work allowance from first earners to second earners increases poverty (without behavioural effects).</p> <p><b>Cost:</b> £490m (lone parents), £580m (disabled people). Swapping the work allowance from first earners to second earners would save £820m (without behavioural effects).</p>

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## 10. BETTER SUPPORT FOR HOUSING COSTS

<b>Problem</b>	<p>Universal credit includes an element to help meet the costs of rent (the successor to housing benefit). But in a great many cases the maximum support available is less than the costs of rent, which means people have to divert money intended for other living costs to housing, reducing their living standards. In November 2020, 55 per cent of private sector tenants on UC had a housing award below their rent; as did 22 per cent of social tenants (the ‘bedroom tax’).<sup>31</sup></p> <p><b>Private tenants:</b> UC incorporates the local housing allowance (LHA) for private tenants which was introduced in 2008. At that time it was designed to be sufficient to cover the median rent for each size of home, in each local housing market. This value was reduced to the 30th percentile of local rents in 2011. LHAs were then frozen in cash terms in 2016, before being restored to the 30th percentile in 2020 and frozen again in 2021.</p> <p><b>Homeowners:</b> Financial support for people without work who have mortgages has also declined. Support for Mortgage Interest used to help around 100,000 households below pension age at any time when it was a social security payment.<sup>32</sup> It now supports 12,000 households as a repayable loan.<sup>33</sup> On the other hand UC is better than previous systems at supporting people in work with mortgage costs. It provides an extra £70 per week through work allowances to many working households without rental costs (some of whom have mortgage costs).</p>
<b>Impact</b>	<p><b>Numbers:</b> In November 2020, 4.6m households were receiving rent support through UC or housing benefit. Our model projects that 4.8m out of 6.3m households who will receive UC will have rent that is not fully covered by a housing award (but there are limitations with the model’s approach to rent and housing costs).</p> <p><b>Living standards:</b> Whenever a housing costs award is lower than actual rent people’s living standards are depressed because money intended for general living costs has to be diverted to rent. All our estimates for MIS for non-working households assume rent costs are fully met, so they are overly positive for the huge number for whom this is not the case. This is one factor that pushes living standard outcomes from significant hardship towards destitution for many benefit recipients.</p> <p><b>Poverty:</b> 44 per cent of working-age adults living in social housing live in poverty, as do 28 per cent of private renters. 60 per cent of working-age adults receiving housing benefit are in poverty. The same figures for children are 56 per cent, 47 per cent and 65 per cent (2019/20 DWP figures).<sup>34</sup></p>
<b>The public view</b>	<p><b>Citizens’ jury:</b> housing costs were not discussed in detail by the jury but all discussions of adequacy took as a starting point that social security would cover reasonable housing needs. Three quarters of the jury agreed that people living in areas with high rents should receive more money in benefits.</p> <p><b>Survey:</b> no questions asked</p>

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<b>The recipient view</b>	no questions asked
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<b>Reform A: incremental</b>	<p><b>Proposal:</b> Restore maximum rent support for private tenants to the 30th percentile rent for each local housing market.</p> <p><b>Benefit:</b> Compared to levels of housing support in 2018/19 this measure would benefit 1.7m households, and lift 100,000 people including 70,000 children out of poverty.</p> <p><b>Cost:</b> £800m. A share of this cost is already incorporated into government policy by the 2020 emergency measures. But the government will gradually save from refreezing LHA from 2021 onwards. By 2024/25, it will have recovered around half the costs of the 2020 increase.<sup>35</sup></p>
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<b>Reform B: 'start from scratch'</b>	<p><b>Proposal:</b> raise maximum housing support awards to cover all social rents (ie scrap the bedroom tax) and a much greater proportion of private rents (eg 50<sup>th</sup> percentile of local rents).</p> <p><b>Benefit:</b> We have not modelled detailed proposals and have simply calculated the impact of increasing maximum housing awards to cover UC recipients' current rents in full. Under this scenario 4.8m households would benefit, with 600,000 people and 300,000 children lifted out of poverty.</p> <p><b>Cost:</b> £2.9bn (this is for a high scenario, that covers all current housing costs, without a cap).</p>
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## 11. BETTER SUPPORT FOR COUNCIL TAX

<b>Problem</b>	<p>Help with council tax bills for low-income households used to come from council tax benefit, a national scheme administered locally that covered the full cost of council tax for people with very low incomes. In 2013 CTB was replaced by local systems of council tax support (and devolution to Scotland and Wales). National rules require that low-income pensioners continue to pay nothing, but in 80 per cent of English local authorities low-income working-aged households are required to pay a share of their bill (typically around 20 per cent or £3-4 per week).<sup>36</sup> People who previously had to pay some council tax also usually have to pay more. This has a knock-on effect on the income available for general living costs, reducing family living standards. There are further problems. People receiving council tax support and UC can have very poor incentives to earn more (in some cases households can lose around 80 pence of each extra pound they earn, and in others the financial benefits of moving into work are reduced). With complex, locally designed schemes, take-up of council tax support may be low compared to UC.</p>
<b>Impact</b>	<p><b>Numbers:</b> 2.4m working-age households received council tax support in Great Britain in 2017/18 compared to 3.4m who received CTB in 2012/13. According to IFS analysis in 2018/19 3.6m working age households would have been eligible for CTB if it still existed (these households receive on average 24 per cent less support under the local systems). Of these 1.4m were paying council tax for the first time, and 1.6m were paying a higher share than under the old scheme.<sup>37</sup></p> <p><b>Living standards:</b> The living standards of households affected by the reform have fallen by an average of almost £4 per week. This further reduces the shortfall between households' disposable incomes and the MIS.</p> <p><b>Poverty:</b> 64 per cent of households who lost money in the first year of local council tax support were already in poverty.<sup>38</sup></p>
<b>The public view</b>	Not discussed in our research.
<b>The recipient view</b>	Not discussed in our research.
<b>Reform A: incremental</b>	<p><b>Proposal:</b> require all councils to revise their council tax support schemes to provide 100 per cent relief to working-age households claiming benefits and not working (the same as the compulsory support for low-income pensioners). Councils would need to receive extra funding to enable them to implement this rule change. As this is a local measure, we did not model this reform (the estimates for costs and benefits are drawn from the 2019 IFS study).<sup>39</sup></p> <p><b>Benefit:</b> IFS analysis suggests that around 2.5m would benefit (1.3m would stop paying council tax altogether, a further 1.2m would pay less).</p> <p><b>Cost:</b> £500m (the IFS calculated the reduced spending arising from minimum council tax payments to be £460m in 2018/19).</p>

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**Reform B:  
'start from  
scratch'**

**Proposal:** integrate council tax support into universal credit. Council tax liabilities would be fully covered for those without other income, with the money withdrawn as earnings rise as part of UC (there could be an upper limit of, say, Band E council tax). Without other reforms to UC the costs of this measure would be very high, because eligibility, generosity and probably take-up would rise: many households on mid incomes would get help with council tax bills for the first time. However, spending on working households could be contained by reforming UC at the same time – by cutting work allowances and increasing the taper (while still leaving the system more generous than the combination of today's UC and council tax support).

**Benefit:** Almost everyone receiving UC who is eligible for council tax will benefit. Our model projects the number of beneficiaries as 6.1m households (but this is likely to include some adult children who are not the liable householder). Without any counteracting reforms to UC the policy would lift 790,000 people and 390,000 children out of poverty.

**Cost:** £4.3bn. This cost assumes no counteracting changes within UC such as lower work allowances or a higher taper. It is also based on a projected number of beneficiaries that may be overstated. In practice localised council tax support could be integrated into UC for considerably less.

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## 12. END THE BENEFIT CAP

<b>Problem</b>	<p>The benefit cap was introduced in 2013 and restricts the combined income people can receive from most benefits, even if the underlying social security rules say they are entitled to more. The cap ranges from £13,400 per year to £23,000 per year (depending on household type and whether the household lives in London). Some benefits are excluded (eg universal disability benefits) and the cap only applies in some circumstances. Households are not affected when they include someone who is severely disabled or a carer; or where total net earnings are over £617 per month (2021/22), equivalent to working 16 hours a week on the national living wage. Many people whose income drops below this level then have a 9-month grace period before the cap is applied. Despite these exemptions, the cap is a major concern for those affected because it reduces the living standards of people with high living costs arising from high rent or large families. It is also a particular problem in the context of the other reforms we propose to make UC more generous: unless the cap is raised or abolished many people will not benefit from increases to UC as the cap will allow them no more money.</p>
<b>Impact</b>	<p><b>Numbers:</b> in November 2020 180,000 households were subject to the benefit cap. Around two thirds were losing less than £50 per week and one third more than £50 per week.<sup>40</sup> This is a steep increase from fewer than 80,000 capped households before the pandemic and means that the policy is now saving the government over £500m per year. These numbers exclude people in the nine-month grace period.</p> <p><b>Living standards:</b> On average in 2017, affected households were losing around £60 per week. Our modelling with 2020/21 benefit rates and UC fully rolled out projects losses of £75 per week. People affected by the benefit cap already have a low standard of living because of high living costs which even their underlying benefit entitlements do not offset. Any gap between these entitlements and the amount received under the cap further increases their shortfall below MIS.</p> <p><b>Poverty:</b> almost all households affected by the benefit cap are likely to be below the poverty line</p>
<b>The public view</b>	<p>Not discussed in our research. The benefit cap was supported by a significant majority of the public when introduced. It has not been widely debated since.<sup>41</sup></p>
<b>The recipient view</b>	<p>Not discussed in our research.</p>
<b>Reform A: incremental</b>	<p><b>Proposal:</b> As a bare minimum, the benefit cap limits should be lifted by 20 per cent to ensure people can benefit from other improvements in social security recommended in this report. An additional reform (which we have not costed) would be to restrict the cap to households where someone is expected to be seeking work (eg excluding lone parents with young children). This was recommended in 2019 by the House of Commons work and pensions committee.<sup>42</sup></p>

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	<p><b>Benefit:</b> our modelling for fully implemented UC suggests 260,000 households will be affected by the cap, so would benefit from this policy (however this is an overstatement because it does not take account of the grace period). On average affected households are modelled to gain by around £45 per week.</p> <p><b>Cost:</b> £600m (based on 260,000 affected households, so likely to be less in practice)</p>
<b>Reform B: 'start from scratch'</b>	<p><b>Proposal:</b> Scrap the benefit cap. All restrictions on social security would be delivered through underlying social security entitlements.</p> <p><b>Benefit:</b> The same 260,000 households are projected to gain by an average of £75 per week.</p> <p><b>Cost:</b> £1bn (based on 260,000 affected households, so likely to be less in practice).</p>

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## Endnotes

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