

Budget 2021 representation from Citizens Advice

January 2021



About Citizens Advice

Citizens Advice provides free, confidential and independent advice to help people overcome their problems. In 2019-20, we helped 2.8 million people face to face, over the phone, by email and web chat. We provide support from over 2,550 locations across England and Wales.

Since the rollout of Universal Credit began, Citizens Advice has helped over 590,000 people with Universal Credit, including through its Help to Claim service. We have [published several reports on Universal Credit](#) based on our client data, insights from frontline advisers, and interviews with clients.

The geographical scope of this response covers England and Wales.

Summary

The temporary uplift to Universal Credit and Working Tax Credit has helped millions of people stay afloat during the pandemic. This is indicated by Citizens Advice's own data - these benefit increases have helped stave off a surge in the proportion of people we help with debt who are unable to cover their living costs.¹

This increase in support is due to end in April - yet indicators point to economic difficulty for months, or years, beyond this. Unemployment is not expected to peak until mid-2021.² The sharp rise in unemployment and the fall in vacancies means it's likely that many people will find themselves out of work for a prolonged period of time - in November, the number of people claiming out-of-work benefits who are usually required to look for work was five times the number of available vacancies.³

It's right that we look ahead to building our economy. But if we want to ensure a fair recovery from this crisis where nobody is left behind, it's vital our benefits system provides adequate support for people who have lost income and who have no immediate prospect of finding employment or increasing their hours. For families

¹ Citizens Advice (2020) [Life on less than zero](#)

² Office for Budget Responsibility (2020) [Economic and fiscal outlook - November 2020](#).

³ In November 2020, the claimant count stood at 2.7 million (ONS (2020), [Claimant Count statistics](#)). In the three months to November 2020, there were an estimated 547,000 vacancies (ONS (2020), [Labour Market Overview](#)).

whose budgets are already on a knife edge, removing the increase to Universal Credit and Working Tax Credit risks plunging hundreds of thousands into economic hardship.⁴

That's why we're calling for the Government to:

- Make the uplift to Universal Credit and Working Tax Credit permanent
- Extend the uplift to legacy benefits such as Employment and Support Allowance, Jobseeker's Allowance and Income Support

Introduction

At the start of April 2020 in response to the coronavirus pandemic, the Chancellor took the welcome step of increasing the value of the Universal Credit standard allowance and the basic element of Working Tax Credit by £1,040 for 12 months. This roughly equates to an additional £20 a week.

During the pandemic, the number of people claiming Universal Credit has almost doubled, reaching 5.8 million in November 2020.⁵ While this increase to Universal Credit and Working Tax Credit has provided much-needed financial support for many families, the uplift is set to be removed in April 2021.

Meanwhile, legacy benefit claimants still haven't received an equivalent uplift to their benefit awards. Often these will be groups such as disabled people and carers, many of whom were facing financial difficulties prior to the pandemic.⁶

Our research shows that removing the uplift would leave three quarters of people we help with debt on Universal Credit and Working Tax Credit unable to cover their living costs.⁷ This is against a backdrop where unemployment is forecast to hit 2.6 million by the middle of the year.⁸ Alongside this, support provided by the Coronavirus Job Retention Scheme is set to end after 30 April 2021, likely resulting in further redundancies, increased unemployment and more people needing to claim Universal Credit.

⁴ JRF (2020) [Autumn Budget - why we must keep the £20 social security lifeline](#)

⁵ Department for Work and Pensions (2020) [Stat-Xplore - People on Universal Credit](#). Data to November 2020. There were 3 million people claiming Universal Credit in March 2020.

⁶ Citizens Advice (2019). [Achieving income security for all](#)

⁷ Citizens Advice (2020) [Life on Less than Zero](#)

⁸ Office for Budget Responsibility (2020) [Economic and fiscal outlook - November 2020](#).

Retaining the £20 a week uplift would support families to plan their lives and prepare for the future, providing people with greater mental bandwidth to prepare and look for work as vacancies begin to pick up.⁹

Enabling more families to make ends meet during a period of economic uncertainty would also support the country's longer-term economic recovery - both through helping to prevent additional financial problems for individuals, and by encouraging household spending, where every pound spent on essentials is a pound to help stimulate local economies.

Economic uncertainty in the months ahead

Supporting people back into work will be integral to our economic recovery from this crisis - but labour market trends point to a long road ahead. With unemployment on the rise, redundancies reached a record high of 370,000 in the quarter to October 2020.¹⁰ There were only an estimated 547,000 job vacancies in the UK during September to November 2020, 251,000 fewer than a year ago.¹¹

With fewer job vacancies and higher numbers of unemployed people, competition for available jobs will increase. In November, the number of people claiming out-of-work benefits who are usually required to look for work outnumbered vacancies by almost 5 to 1.¹² Some people will likely face extended periods out of work as a result, while others may need time to retrain for jobs in different sectors.

The economic impact of coronavirus has not been felt equally across the UK. Areas that rely heavily on tourism and local economies with jobs concentrated in other hard-hit sectors - such as retail and hospitality - are at greatest risk of rising unemployment,¹³ and longer-term scarring.

It is the most deprived parts of the country that have so far seen the greatest consequences of job losses. The average increase in people claiming benefits because they can't find work is twice as high in the most deprived 10% of neighbourhoods than

⁹ 2 in 5 people receiving frozen working-age benefits that we helped in 2019 said they had lost sleep due to money worries. See Citizens Advice (2019) [Achieving income security for all](#)

¹⁰ ONS (2020) [Labour market overview, UK: December 2020](#)

¹¹ Ibid

¹² In November 2020, the claimant count stood at 2.7 million (ONS (2020), [Claimant Count statistics](#)). In the three months to November 2020, there were an estimated 547,000 vacancies (ON (2020), [Labour Market Overview](#)).

¹³ JRF (2020) [Targeted action for parts of Britain at risk of surging unemployment](#)

the least deprived.¹⁴ Letting the uplift expire would risk further divergence in living standards across the country.

Even with a large-scale vaccination programme, it is possible we will see restrictions on economic activity beyond the end of the current lockdown, which will likely have a knock-on effect on household budgets.¹⁵ People will need support throughout this acute phase and beyond as our economy begins to open up again.

The impact of the uplift on Citizens Advice's clients

Our research shows the financial impact of the pandemic. Last year, we estimated that 6 million people had already fallen behind with at least one household bill, with key workers, carers and people from ethnic minority backgrounds more at risk of falling behind.¹⁶ More recently, we have found that half a million private renters are behind on their rent due to the pandemic.¹⁷

For people we help with debt, average monthly income stands at £1,274, compared to a national average of £2,567.¹⁸ People with a negative budget¹⁹ - who have been assessed as being unable to meet their living costs - have an even lower income, an average of £1,010 a month.

Our benefits system has been a vital lifeline for low-income households during the pandemic. The temporary uplifts to Universal Credit and Working Tax Credit have helped minimise the number of people we support from falling into a negative budget. Our research shows that:

- 40% of people we help with debt currently have a negative budget (up from 37% in 2019).

¹⁴ Comparing the latest available Claimant Count data (October 2020) to March 2020, local super output areas (LSOAs) in the most deprived 10% of England have seen an average percentage point increase in their out-of-work benefit claimant rate of 4.8%, compared to 1.9% for the least deprived 10% of LSOAs. Citizens Advice analysis of Nomis [Claimant Count](#) data, Nomis [Population Estimates](#) data, and the [English Indices of Multiple Deprivation](#). The Claimant Count includes Jobseeker's Allowance and Universal Credit claimants who are usually required to look for work as a condition of benefit receipt.

¹⁵ Resolution Foundation (2020) [Pandemic pressures](#)

¹⁶ Citizens Advice (September 2020) [Excess Debts](#)

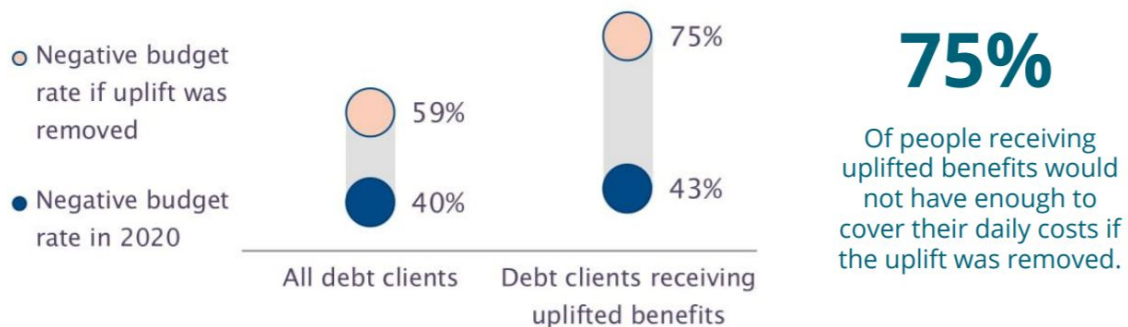
¹⁷ Citizens Advice (January 2021) [New year, same arrears: How the pandemic is leaving private renters with unmanageable debt](#)

¹⁸ Office for National Statistics (2020) [Average household income, UK: financial year ending 2020 \(provisional\)](#)

¹⁹ To assess whether a debt client has a negative budget, our advisers use a tool called the [Standard Financial Statement](#)

- 43% of people we help with debt in receipt of Universal Credit or Working Tax Credit have a negative budget. **If the £20 uplift was removed in April 2021, this would increase to 75%.²⁰**

Fig.1 The impact of removing the uplift



Many people with a negative budget face a vicious cycle of not being able to repay their debts or meet basic costs, such as rent or bills. This can lead to further debt problems, the risk of eviction or homelessness or having your energy supply cut off. For example, a relatively small council tax debt of £167 can escalate to over £2,065 in just over 2 months from bailiff fees and liability orders.²¹

Sanisha's story

Sanisha lives with her son and partner. She currently receives Universal Credit. After paying her rent, priority debts, and other bills, she is left with £18 per month to spend on essentials like food and toiletries. If the £20 a week uplift was taken away, it would leave her unable to cover her costs, and at risk of accumulating even more debts.

²⁰Citizens Advice Scotland has also found that a significant proportion of their debt clients would fall into a negative budget without the uplift. Their budget submission also recommends that the uplift be maintained.

²¹ Citizens Advice (October 2020) [Life on Less than Zero](#)

The need to increase legacy benefits

At the same time, families who haven't benefited from the uplift risk being left behind. The value of legacy benefits such as Jobseeker's Allowance, Employment and Support Allowance and Income Support, have not been increased in response to the pandemic - yet many people receiving these benefits are facing increased costs.

Recipients of Employment and Support Allowance will be disabled people and people with a long-term health condition, while Income Support claimants are more likely to have caring responsibilities²² - groups that we know were already experiencing financial difficulties prior to coronavirus and have faced increased costs since the crisis.²³

While higher income households have, on average, increased their savings, low-income households have seen their costs increase during the pandemic.²⁴ This is reflected in the rising cost of some essentials (like utilities and housing) for people we help with debt.²⁵ Certain groups we help with debt are more likely to face higher essential costs - for instance, on average, disabled people with a negative budget are spending £54 more on energy than non-disabled people, making it harder to make ends meet.

But this doesn't have to be the case. **13% of people we help with debt who receive legacy benefits would be pulled out of a negative budget if the uplift was extended to these benefits.**²⁶

Recommendations

The Government's move to boost the value of Universal Credit and Working Tax Credit has helped sustain millions of households during this crisis, limiting the scale of economic hardship we would have seen otherwise.

While retaining the uplift - and extending it to legacy benefits - is not an inconsequential cost, it would reinforce our benefits system to deal with further redundancies and provide a foundation for people to build financial resilience for an uncertain future.

²² Department for Work and Pensions (2020) Stat X-Plore - Multiple datasets. Data to May 2020

²³ See Joseph Rowntree Foundation (2020) [The financial impact of COVID-19 on disabled people and their carers](#) and Carers UK (2020) [Caring behind closed doors](#)

²⁴ Resolution Foundation (2020) [Pandemic pressures](#)

²⁵ Citizens Advice (2020) [Life on Less than Zero](#)

²⁶ Ibid

To ensure our benefits system supports low-income households and the UK's wider economic recovery, the Government should (see appendix for estimated costings):

- Make the uplift to Universal Credit and Working Tax Credit permanent
- Extend the uplift to legacy benefits such as Employment and Support Allowance, Jobseeker's Allowance and Income Support

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Appendix - costings

Estimates from the OBR suggest the £20 a week uplift to Universal Credit and Working Tax Credit for the financial year 2020/21 cost approximately £7bn.²⁷

1. Universal Credit

The table below sets out different indicative costs for maintaining the £20 a week uplift in Universal Credit per month in 2021/22, which is based upon three different scenarios.

- **The 'low estimate' scenario** shows the monthly cost of maintaining the uplift if the number of households on Universal Credit was to fall back to pre-lockdown numbers (March 2020).²⁸
- **The 'middle estimate' scenario** shows the monthly cost of the uplift caseload based on estimates for November 2020.²⁹
- **The 'high estimate' scenario** is based on a projected caseload of the estimated caseload from November, plus 25% of October's furloughed jobs joining the Universal Credit caseload.³⁰

	Total estimated caseload (households)	Estimated monthly cost³¹
Low estimate	2,699,100 (actual)	£234,000,000

²⁷ OBR (2020) [Coronavirus Policy Monitoring Database July 2020](#)

²⁸ ONS (2020) Households on Universal Credit via [Stat-Xplore](#). There were 2,699,140 households on Universal Credit in March 2020.

²⁹ Data for the number of households on Universal Credit is not yet available for November 2020. The number of households on Universal Credit has been between 80 and 90% of people on Universal Credit for the last 12 months of available data. Therefore, the estimate for November 2020 is based on the provisional number of people reported to be receiving Universal Credit in November 2020, multiplied by 0.9 as the highest likely estimate of possible caseload.

³⁰ [2.4m jobs were furloughed as of October 30, 2020](#). This estimate is based upon 25% of those jobs furloughed claiming Universal Credit. This estimate is likely to be high, as it does not account for furloughed households already claiming Universal Credit or those making a joint claim with another furloughed employee (so only receiving the standard allowance uplift once). As the figure is for 'employments' (jobs), not employees, it may be that some employees with multiple jobs are double counted in the figures.

³¹ All estimated costs are less the number of households on Universal Credit subject to the benefit cap, except for the OBR forecast. For the estimated caseloads (middle and high), the number of households subject to the benefit cap has also been estimated at 3% of the estimated caseload. 3% is based on the proportion of the Universal Credit caseload subject to the benefit cap in August 2020. This is likely a conservative estimate as the number of households subject to the benefit cap is likely to increase as the grace period providing exemption from the benefit cap begins to end for claimants.

Middle estimate	5,247,500 (estimated)	£441,000,000
High estimate	5,847,500(estimated)	£492,000,000
OBR forecast for 2020/21³²	5,288,300 (estimated)	£458,000,000

2. Working Tax Credit

The number of households receiving Working Tax Credit has declined substantially in recent years, as only households receiving the Severe Disability Premium were eligible to make a new claim for the benefit. With the end of the SDP gateway this month, we expect the caseload to fall even further as almost all households experiencing a change of circumstances will move to Universal Credit. This means it is likely that the cost of maintaining the uplift to Working Tax Credit would be lower in 2021/22 compared to 2020/21.

Our indicative Working Tax Credit costs for 2021/22 are based on OBR estimates of the cost of uplifting the benefit for the 2020/21 financial year.³³ We recognise that the cost would likely be lower, in reality, due to declining caseload between 2020/21 and 2021/22. However, we anticipate many leaving the Working Tax Credit caseload would migrate to Universal Credit, thus increasing the caseload for this benefit, and therefore a higher cost in maintaining the £20 a week uplift. The cost of the uplift for Working Tax Credits based on 2020/21 financial year is used to help control for this.

	Estimated monthly cost
OBR estimate for the 2020/21 financial year ³⁴	£125,000,000

3. Jobseeker's Allowance

The cost of uprating out-of-work legacy benefits would depend on the trajectory of the jobs crisis. In November 2020, the total Jobseeker's Allowance caseload in the UK stood at 317,125 - a very slight decrease from July 2020, but an 84% increase on February

³² OBR (14 July 2020) [Coronavirus Policy Monitoring Database](#). The estimated caseload for the OBR forecast is an average monthly caseload derived from the OBR estimated cost of the £20 uplift to Universal Credit for the 2020/21 financial year of £5.5bn.

³³ Ibid. The estimated caseload for the OBR forecast is an average monthly caseload derived from the OBR estimated cost of the £20 uplift to Working Tax Credit for the 2020/21 financial year of £1.5bn.

³⁴ Ibid

2020.³⁵ Mirroring the £20 per week uplift for this existing caseload would represent an additional monthly cost of £27 million. Taking this as a starting point, the following table provides indicative costs associated with larger caseloads.

	Total estimated caseload (individuals)	Estimated monthly cost
February 2020	172,650 (actual)	£15,000,000
November 2020	317,130 (actual)	£27,000,000
November 2020 + 100k claimants	417,130 (estimated)	£36,000,000

4. Income Support

Our Income Support costs are based on the May 2020 caseload figures from DWP as the latest available caseload.³⁶ We recognise that households migrating to Universal Credit would mean a larger caseload for this benefit, and therefore a higher cost in maintaining the £20 a week uplift. Using the cost of the uplift for 2020 is used to help control for this.

	Total estimated caseload (households)	Estimated monthly cost
May 2020	299,100 (actual)	£26,000,000

5. Employment Support Allowance

To estimate indicative costs of applying a similar uplift to Employment and Support Allowance, we have taken the cost based on the caseload in May 2020 (the last figures available). Taking this as a starting point, the following table provides an indicative cost associated with a larger caseload.

	Total caseload (individuals)	Estimated monthly cost
May 2020	1,901,000 (actual)	£ 165,000,000
May 2020 + 100k claimants	2,001,000 (estimated)	£174,000,000

³⁵ JSA caseload increased from 172,650 in February 2020 to 320,701 in July. Official Labour Market Statistics via Nomis [Jobseekers Allowance Statistics](#)

³⁶ Income Support caseload through [Stat-Explore](#) for May 2020