

# Achieving income security for all

Income security is important for all of us. It means having enough to live on and being able to cover essential costs such as rent, bills and food.

Our benefits system exists to provide a financial safety net for people during times of need - whether to support those in low-paid work or who are unemployed, parents who need additional help with bringing up children, or disabled people who may face higher living costs.

As more people move from 'legacy' benefits to Universal Credit, it is more critical than ever we have a system that provides everybody with adequate financial security.

**citizens  
advice**

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## Our research shows that benefit claimants are not getting the financial support they need

Reductions to the value of many working-age benefits, along with challenges with how and when people are paid, have made it harder for many people who rely on benefits to make ends meet.

We surveyed people receiving benefits that have been frozen since 2016. In the last 12 months<sup>1</sup>:



**49%**

have struggled to meet essential costs such as food and toiletries



**23%**

have fallen behind with rent or mortgage payments



**39%**

have less than £100 each month after covering essential costs

### Working-age benefits today

Last year Citizens Advice helped 580,000 people across England and Wales with their benefits<sup>2</sup>.

Currently **1 in 6 families** in Britain receive income-related benefits<sup>3</sup>.

Most of these will eventually be replaced by Universal Credit, which is now available across all parts of Great Britain.

## The benefits freeze

The benefits system is complex, with differing eligibility and levels of awards depending on incomes or additional costs people may face as a result of personal circumstances.

Since April 2016, the level of most working-age benefits has been frozen. Combined with rising prices, this will result in a significant reduction in the value of these benefits by 2020<sup>4</sup>.



Real-terms support through frozen benefits will fall

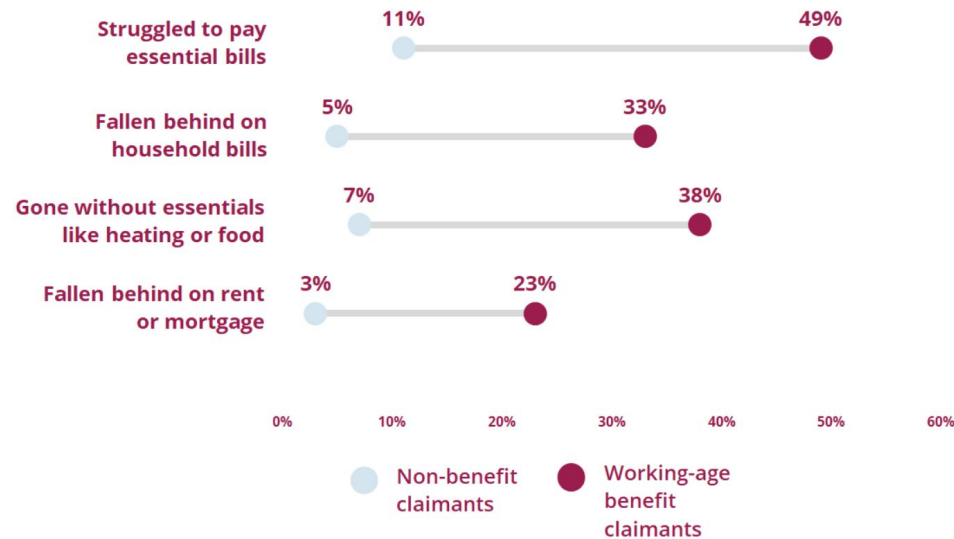
**6.5%**

from 2016 to 2020

## The impact of the benefits freeze on people's budgets

Getting less income from benefits makes it harder to cover day-to-day costs. Our research shows the very real challenges working-age benefit recipients are facing, with many falling behind on rent and bills or going without essentials. This can prove to be extremely detrimental, leading to debt problems, risks of eviction or being cut off from energy suppliers.

**Figure 1: Financial problems experienced by people claiming frozen working-age benefits in the last 12 months<sup>5</sup>**



*\*All differences are statistically significant*

This lack of financial security is also having an effect on other aspects of people's lives. **Almost 3 in 10 (29%) people claiming frozen benefits say financial worries have affected their mental health**, whilst a similar proportion (27%) say these worries have made them feel lonely or isolated.

## Christina's story\*

Christina is a 21-year-old care-leaver. She lives with Gareth, her one-year-old son. Gareth has epilepsy and other health conditions for which he is undergoing tests. When her partner moved out, she had to make a Universal Credit claim. Along with Child Benefit, she is currently reliant on this for all of her income.

Before claiming Universal Credit she had no debt issues. But the financial strain of her partner leaving and the five-week-wait for her first payment meant she began to borrow money and fall behind on rent and bills, even though she took out an advance payment. Since then, she has faced problems making her money stretch whilst also repaying around £100 a month on her advance.

She has now come to Citizens Advice for help to deal with £1,700 debt, including rent arrears. Along with her baby's medical issues, this financial situation is causing her significant stress.

*\*Names have been changed to protect anonymity*



**40%**

of people claiming frozen benefits have lost sleep due to money worries

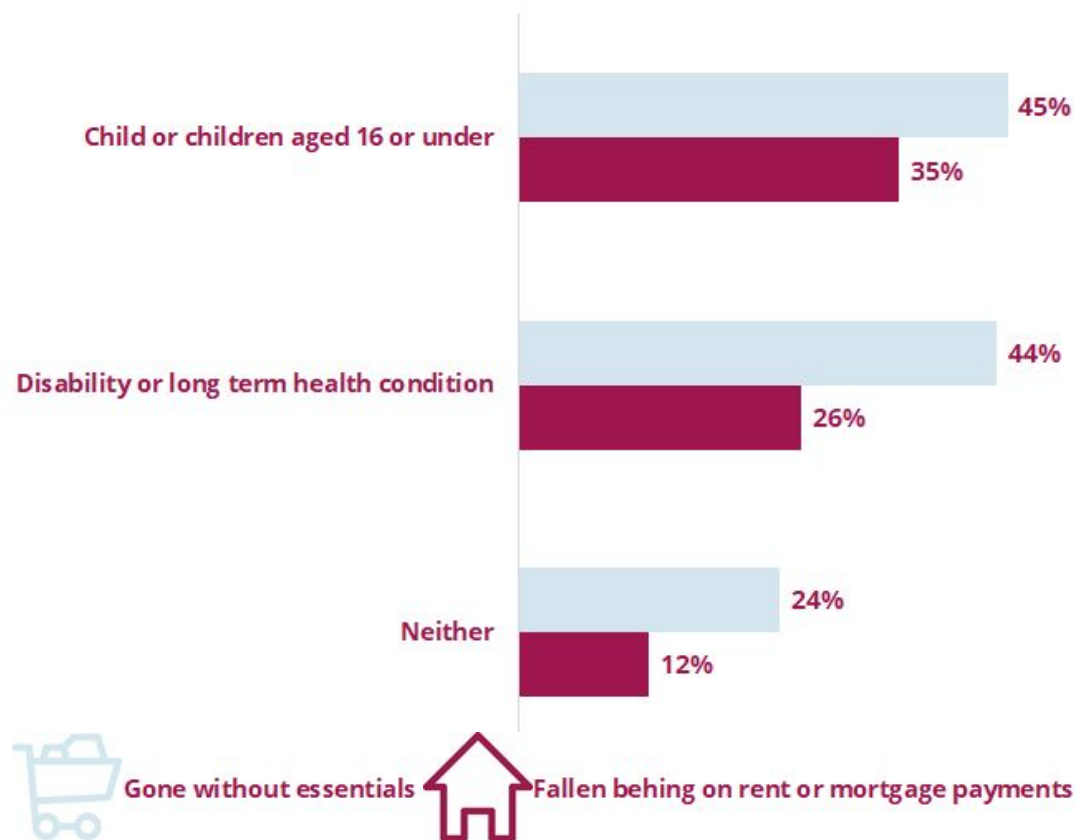
## Support for housing and additional costs

Along with other changes such as the benefit cap and charges for non-dependents, the benefits freeze has left some people with significant shortfalls in support to pay their rent. This increases the likelihood of people falling into rent arrears. Our research shows that over a fifth of people who rely on benefits for some of their income **(23%) have fallen behind on rent or mortgage payments in the last 12 months**<sup>6</sup>.

Other groups of benefit claimants may also need additional support to meet specific needs. For instance, parents who may face high childcare costs<sup>7</sup> and disabled people who often have higher living costs<sup>8</sup> and frequently experience additional barriers in and out of work<sup>9</sup>.

However, our evidence indicates that these **additional costs are not currently being met**. People claiming benefits with dependent children or those with an impairment or health condition are more likely to have experienced financial hardship over the last year than other people claiming benefits. **Figure 2** highlights the problems different groups face in meeting rent payments and covering essentials like food and toiletries.

**Figure 2: Financial problems faced in the last 12 months by households claiming benefits living with children or someone with a disability or long term health condition**<sup>10</sup>



*\*All differences are statistically significant*

## Local Housing Allowance

Many people on benefits access support to cover housing costs. Local Housing Allowance (LHA) is used to calculate levels of housing support for those in private sector accommodation.

Until 2016, LHA set the maximum that can be paid in housing support based on the bottom 30% of local private sector rents. But since then the LHA has been frozen in most areas and has fallen behind local rents.

**In 97% of areas in England**, the amount available through LHA will not cover the current cost of renting a two-bedroom home at the 30th percentile<sup>11</sup>.

## About Universal Credit

Universal Credit replaces six income-related 'legacy' benefits with a single monthly payment.

It aims to simplify the benefits system and make sure that work always pays.



Once rolled out  
**7m**  
households will  
be on Universal  
Credit<sup>12</sup>

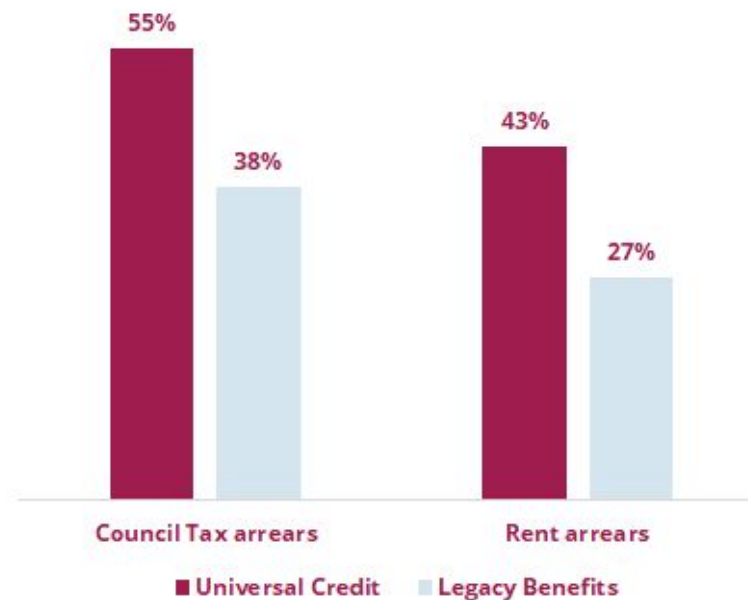
## Challenges for Universal Credit claimants

Our evidence indicates that too many people on Universal Credit are struggling to manage their money. Over half (51%) of people claiming Universal Credit have lost sleep due to money worries<sup>13</sup>.

As Figure 3 shows, people claiming Universal Credit who come to Citizens Advice for help with debt issues are more likely to have '**priority debts**', such as rent and council tax arrears, than those who are still accessing 'legacy' benefits.

If people don't pay these types of debt, consequences can be severe, including aggressive debt recovery, deductions from benefits and even eviction from their home.

**Figure 3: Rent and Council Tax arrears rates for Citizens Advice debt clients claiming benefits<sup>14</sup>**



*\*All differences are statistically significant*

Whilst we support the principles of Universal Credit, design features of the benefit are creating financial difficulties for many people we support. This includes the **five-week-wait** for the first Universal Credit payment, during which time a person's income for the past month is assessed to determine the level of their award.

Previous research we carried out found that half of the people we help struggle to pay rent or bills during this period. Repayable advances are available to support people during the wait, but claimants who use these are more likely to have to borrow money in other ways to get by<sup>15</sup>.

Monthly Universal Credit payments may not always line up with when wages are received, particularly for those who are paid more frequently. This can result in significant variability of income from month to month, making it much harder to budget. Our latest research found that over the last year:

**55%** of people claiming Universal Credit have gone without essentials such as heating, food and toiletries

Compared to 37% of those on frozen 'legacy' benefits

**38%** of people claiming Universal Credit have fallen behind on rent or mortgage payments

Compared to 23% of those on frozen 'legacy' benefits<sup>16</sup>

*\*All differences are statistically significant*

# What needs to change?

**In order for our benefits system to work for everyone, it's vital that people have enough to live on and are paid in a way which supports them to be financially secure.**

**This requires both short-term and long-term changes to address benefit levels, as well as greater flexibility with the monthly assessment under Universal Credit.**

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## **Ensure people on benefits have enough to live on**

### **In the short term**

Implement a four year programme to improve the situation for those affected by the benefits freeze, returning to at least 2016 payment levels:

- Uprate the value of frozen benefits by the Consumer Prices Index (CPI) plus 2% for four years.
- Recalculate the Local Housing Allowance to at least the 30th percentile of local rents to re-establish the link with rental prices.

### **In the long-term**

Set out plans to ensure benefit rates provide adequate support to meet the needs of specific groups, including parents with children, and disabled people and people with long-term health conditions.

## **Ensure greater flexibility within Universal Credit**

### **In the short-term**

Reduce the five-week wait by bringing forward the first non-repayable payment to no later than two weeks into a Universal Credit claim.

### **In the long-term**

Explore more flexible assessment periods and payment cycles under Universal Credit to ensure people are paid in a way which reflects their personal circumstances and enables them to budget effectively.

# References:

<sup>1</sup> Online UK-wide survey of 2,751 working age adults conducted by Opinium Research. Fieldwork took place between 4th and 9th July 2019. Results have been weighted to be nationally representative. People in receipt of frozen working age benefits, sample = 764

<sup>2</sup> Citizens Advice client data, April 2018 to March 2019

<sup>3</sup> Department for Work and Pensions, Family Resources Survey: financial year 2017/18, March 2019. 'Families' refers to benefit units. A benefit unit is the family grouping used to assess benefit entitlement. It is defined as 'a single adult or couple living as married or cohabiting and any dependent children'.

<sup>4</sup> House of Commons Library, 2019 Benefits Uprating, March 2019

<sup>5</sup> Online UK-wide survey of 2,751 working age adults conducted by Opinium Research

<sup>6</sup> Online UK-wide survey of 2,751 working age adults conducted by Opinium Research

<sup>7</sup> Family and Childcare Trust, Childcare Survey 2019, February 2019

<sup>8</sup> Scope, The Disability Price Tag 2019, February 2019

<sup>9</sup> Scope, Independent. Confident. Connected, August 2018

<sup>10</sup> Online UK-wide survey of 2,751 working age adults conducted by Opinium Research

<sup>11</sup> Shelter, Briefing: Estimates day debate, July 2019

<sup>12</sup> House of Commons Library, Universal Credit roll-out 2018-19, June 2018

<sup>13</sup> Online UK-wide survey of 2,751 working age adults conducted by Opinium Research.

<sup>14</sup> Source: Citizens Advice Money Advice Recording Tool, April to June 2019. Base: 11,881, including 3,070 Universal Credit clients and 2,913 'legacy' benefits clients

<sup>15</sup> Citizens Advice, Managing money on Universal Credit, February 2019

<sup>16</sup> Online UK-wide survey of 2,751 working age adults conducted by Opinium Research. Fieldwork took place between 4th and 9th July 2019. Results have been weighted to be nationally representative. People in receipt of frozen 'legacy' benefits, sample = 649. People in receipt of Universal Credit, sample = 115

