

# Age-old or new-age?

The changing incidence of social security benefits by age

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## Summary

At the start of the Covid-19 crisis, the benefit system saw an unprecedented surge in new Universal Credit (UC) claims resulting in 1.3 million more families receiving UC in the space of three months, with 600,000 more since. This note looks at this change across the age distribution and by family type, and puts that increase into the context of the ongoing rollout of UC, as well as the longer-term changes in benefit receipt across the population.

Immediately before the Covid-19 crisis hit, 62 per cent of the UK population was living in a household that received at least one benefit (including tax credits, other working-age benefits, Child Benefit, the State Pension and disability benefits). The likelihood of doing so varies with age. Given that we have an (almost) universal Child Benefit and basic State Pension it is unsurprising that households with children and pensioners were most likely to be living in a household in receipt of benefits. Among working-age adults, those aged 30 to 45 were most likely to be in such a household (with over 50 per cent benefiting), driven by the presence of children in their households and resulting receipt of Child Benefit.

This is a substantial change from 2005, when as many as 72 per cent of all individuals were living in a household receiving at least one benefit (or tax credit). This decline can partly be explained by policy decisions – such as the removal of Child Benefit from higher earners, the increase in the State Pension age, and the reduction in the generosity of some benefits. In particular, tax credits were much more generous in 2005-06 (recently after their introduction) and have since seen significant cuts – for example the removal of the family element – which explains why 25 per cent of individuals have income-related benefit income in 2019-20 compared to 43 per cent in 2005-06. However, it also reflects increased employment and earnings in later years which means that fewer households are entitled to welfare support (for example, 69 per cent of single parents were in employment in 2019-20 compared to 56 per cent in 2005-06).

Looking across different generations, children born since 2015 – who we refer to as generation Alpha – have much lower average household benefit income, in real-terms, than previous generations (£93 vs £118 per week for generation Z). Younger working-age adults – today's millennials – received similar levels of average support as generation X did at the same age (£63 per week), but considerably more than the baby boomers once did (£37 per week). And today's pensioners – the same baby boomer generation – receive much more benefit income than earlier cohorts (£287 per week compared to £255 and £171 for the previous two generations).

Since 2010, there has been a plethora of benefit policy changes, including the High Income Child Benefit Tax Charge, the State Pension triple lock, the freezing of benefit rates, the benefit cap, the two-child limit, and the bedroom tax. These changes mean that, on average, children were 2 to 3 per cent poorer, working-age adults 1 per cent poorer, and pensioners some 2 per cent richer in 2019-20, than if the pre-2010 benefit policy had remained in place.

Although the fraction receiving benefits had changed gradually over the past 14 years, the onset of the Covid-19 crisis led to a dramatic increase in the number of people receiving benefits.

There are 7.5 million families in receipt of a working-age income-related benefit as of the latest complete data in February 2021, an increase of 1.4 million (24 per cent) from 6.1 million before the crisis. The separate claims data (which includes live UC claims where no UC is being paid) shows that this increase has been seen both in out-of-work families (with 1.3 million more adults with a live claim), and also in-work families (with 900,000 more adults with a live claim). This suggests that UC has played a significant role in supporting those who have seen earnings falls during the crisis, as well as those who have lost their jobs altogether. As a result, we estimate that the share of the population in receipt of any benefit has risen during the crisis to 64 per cent, partly reversing the decline since 2005-06.

Almost all of the increase in income-related benefit recipients since the pandemic began has been concentrated among single people without children (with 1.2 million more in receipt of UC). There has been a rise in the number of families with children receiving UC since February 2020, but this has been almost entirely offset by a fall in the number receiving a legacy benefit (principally, tax credits). Half of all children in families receiving an income-related benefit today are likely now on UC, with 3.4 million benefiting from UC in May 2021 (1.3 million more children compared to before the Covid-19 crisis), and a further 3.5 million benefitting from tax credits in April.

Given that the labour market impact of Covid-19 has been concentrated on younger workers, it is not surprising that these age groups have seen the proportionally largest rises in the share of people who are means-tested benefit claimants (rising from 9 to 15 percent for 16-24-year-olds, and from 17 to 24 percent for 25-29-year-olds). However, the change in proportion of 30-59-year-olds as claimants (from 22 to 27 per cent) and 60-65-year-olds (from 16 to 21 per cent) suggests a more equal Covid-19 income shock than furlough or unemployment data would suggest alone. The increase for the youngest claimants is most noticeable however, as they were least likely to have been claiming before the crisis.

More up-to-date data – up to July 2021 – is available for UC, which allows us to see how benefit uptake has changed as Covid-19 restrictions have been loosened and the economy has opened up. This shows that the number of families receiving UC fell by 130,000 between February and May 2021, and that between February and July 2021 the number of UC claimants (i.e. including those not currently in payment) fell by 24,000. However, this recent data also shows that the number of older adults aged 50 or over claiming UC had risen by 34,000 since February. Looking forward, the number of families on Universal Credit is set to remain significantly higher compared to pre-pandemic forecasts according to the Office for Budget Responsibility: due to Covid-19 there are set to be 1 million more families claiming UC throughout the rest of 2021, and 700,000 more in 2022.

This recent history of benefits and the role they play in household incomes is now especially relevant as the Government continues with plans to remove the £20 per week boost to Universal Credit in October – cutting incomes for working-age individuals by £240 per year on average and children by £300 per year on average; and has yet to make its mind up on whether to implement the triple lock in full next April – which could give a £300 income boost to pensioners.

Three things are clear: the welfare system has and continues to play a very broad role supporting incomes across the UK population – although with a focus on families with children and pensioners; through policy decisions, the Government can affect both the generosity of benefits and the number of recipients; and, that the Covid-19 crisis has created increased demand on the welfare system that is likely to persist for some time. Given the importance of these issues, we also recommend that DWP and HMRC work together to produce a single set of statistics on the number of families and people in receipt of any working-age benefit: currently, each department produces statistics in its own formats and on an inconsistent basis.

## Nearly two-thirds of the population live in households that receive some income from state benefits

Benefits provide vital support to families: protecting those out-of-work from abject poverty while ensuring those in low-paid work are – through in-work benefits – better off than if they did not work; helping with additional costs or fulfilling an obligation society has towards other groups – through Child Benefit and disability benefits; supporting activities that contribute towards society – for example through Carer's Allowance; and, providing social insurance for unemployment, ill-health – through contributory Jobseeker's Allowance and Employment and Support Allowance – and for retirement –

through the State Pension. Box 1 explains the some of the different types of benefits that individuals and families can receive.

### BOX 1: Benefit rates

The main working age benefit is now Universal Credit. The monthly entitlement of UC is made up of a standard allowance of £325 – or £510 for a couple – for those aged 25 or over, and £257 and £404 for a single person of couple both aged under 25. All standard allowances have been temporarily increased by £20 per week until October this year. Additional elements are available for children (£237 for each of the first two children in the family), for work-limiting health conditions (£344) and for housing costs for renters (up to 30 per cent of local market rents based on bedroom requirements). This award is then reduced by 63p (the taper rate) for every £1 of earnings the family has, although families with children or health conditions are entitled to a work allowance of £293 or £515 per month for which their UC award does not reduce until the family earnings exceed this amount. Other benefit income – such as contributory Jobseeker's Allowance and Carer's Allowance – reduces the UC award pound for pound, and other deductions for repaying benefit advances or debts or sanctions can reduce the final award.

UC replaces six different legacy benefits which provided support for children

and housing costs separately and also had separate benefits for those out of work and those in-work. These legacy benefits operated under a similar principle of reducing benefit income based on earned income, but had varying taper rates depending on circumstance meaning that some families are better off on UC while others are entitled to less.

Separate to UC, individuals are entitled to contributory Jobseekers Allowance and Employment and Support Allowance – for which the main rate is £75 per week (£59 for adults aged under 25). ESA claimants will receive £114 per week if they are assessed as having a limited capability for work related activity. Contributory benefits are not reduced for other family income or unearned income, but personal earnings can affect entitlement.

Carer's Allowance of £68 per week is available for someone caring for another person (for at least 35 hours per week) who is themselves entitled to disability benefits.

Disability benefits are available to anyone regardless of income. Child Disability Living Allowance has a mobility (£24 to £63 per week) and

care component (£24 to £90 per week), Personal Independence Payment – for those of working age – has a mobility (£24 to £63 per week) and daily living component (£60 to £90 per week).

Some working-age recipients may also qualify for disability premiums if also claiming another benefit. Attendance Allowance of £60 to £90 per week – available for pensioners – is to cover additional care costs (and can be paid in conjunction with Carer's Allowance).

The majority of pensioners are entitled to and receive the State Pension (which is contingent on previous National Insurance contributions, so is strictly speaking a contributory benefit, but one that operates more like a universal benefit). The maximum rate of the (old) State Pension is £138 per week, although this is lower for those who have not made a full set of contributions, is higher for those who made enhanced contributions

under the additional State Pension, and is (mostly) higher under the new State Pension (£180 per week).<sup>1</sup> For pensioners on low-incomes – typically those without any occupational pension, there is additional means-tested support available through Housing Benefit and Pension Credit. Housing Benefit (as with working-age housing support) is tied to local rents, and Pension Credit tops-up weekly income to £177 for a single person and £270 for a couple.

There are also various other benefits – such as Industrial Injuries, Armed Forces Independence Payment, Cold Weather Payments, Winter Fuel Payments, Discretionary Housing Payments, Funeral Expense Payments, Maternity Allowance and Statutory Maternity Pay. And some devolved administrations have their own benefits – such as the Scottish Child Payment.

Figure 1 shows that in 2019-20, before the Covid-19 pandemic, 62 per cent of the population lived in a household supported by at least one benefit.<sup>2</sup> By individual benefit; 21 per cent of the population are in a household receiving the State Pension, 35 per cent with Child Benefit income, 25 per cent with income-related benefit income, and 12 per cent with disability benefit income. Of the remaining benefits, we can see that disability benefit incomes are – as you would expect – more concentrated among older individuals. The remaining benefits (both means-tested and out-of-work contributory benefits since there is no way to split them in the data) are more concentrated among children, and

<sup>1</sup> The new State Pension ended the contracting out of some National Insurance contributions from April 2016 for employees with an occupational pension scheme. As a result, new pensioners are now eligible for the new State Pension. New pensioners previously not contracted out still have their additional State Pension protected, however future pensioners, especially later generational cohorts, are more likely to be worse off as they can no longer accrue any earnings-related top-ups to their pension (for a more detailed discussion see page 174 of: Resolution Foundation, *A New Generational Contract: The final report of the Intergenerational Commission*, May 2018).

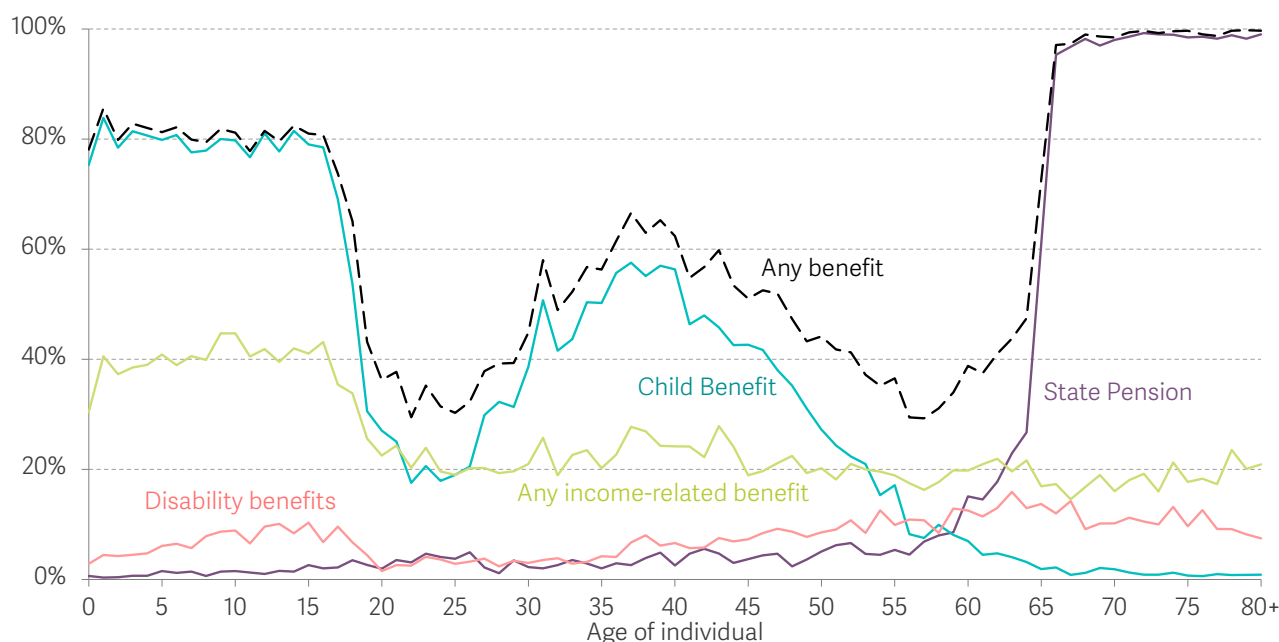
<sup>2</sup> In this analysis, we consider all of the benefit income that is received by individuals in a household, regardless of who it is intended to support.



middle-aged working-age adults with children. This is because the means-tested benefits purposefully provide more support to families with children to help with additional costs and reduce income inequality.<sup>3</sup>

### FIGURE 1: The welfare system provides more support to pensioners and children

Proportion of individuals living in households that receive income from social security benefits or tax credits, by type of benefit and age: UK, 2019-20



NOTES: Disability benefits include Disability Living Allowance and Personal Independence Payment. Income-related benefits include Universal Credit, Working and Child Tax Credit, Carer's Allowance, Incapacity Benefit, Pension Credit, Housing Benefit, Income Support, Jobseeker's Allowance and Employment and Support Allowance (including contributory-based).

SOURCE: RF analysis of DWP, Households Below Average Income and Family Resources Survey.

In Figure 2, we see the reach of the welfare system during the mid-2000s, which was significantly different from that of the welfare system today. Then, more than seven-in-ten (72 per cent) people had some benefit income, compared to around six-in-ten (62 per cent) in 2019-20. And four-in-ten (43 per cent) people had income-related benefit income, compared to one-in-four (25 per cent) in 2019-20.<sup>4</sup> One reason for this fall is that Child Benefit was universal in 2005-06, so almost all children benefited from the welfare state – while in 2019-20 only four-in-five children live in households that actually benefit

<sup>3</sup> It is worth noting that means-tested benefit receipt is typically under-reported in the data used in this analysis (the Family Resources Survey (FRS)); see: A Corlett, [Improving our understanding of UK poverty will require better data](#), Resolution Foundation, January 2021. For example, Child Benefit receipt in the HBAI data (79 per cent of 0-15-year-olds in 2019), is lower than the proportion calculated implied by official Child Benefit statistics taken as a proportion of the population (87 per cent). However, the official statistics on number of children in receipt of Child Benefit include the children of the 354,000 families where an adult is paying the High Income Child Benefit Charge (families can choose to opt out of Child Benefit or pay the charge); if HBAI respondents report that they do not receive Child Benefit if they pay the charge, then the two estimates would be considerably closer to each other. However, the FRS remains the best source to look at benefit receipt within households.

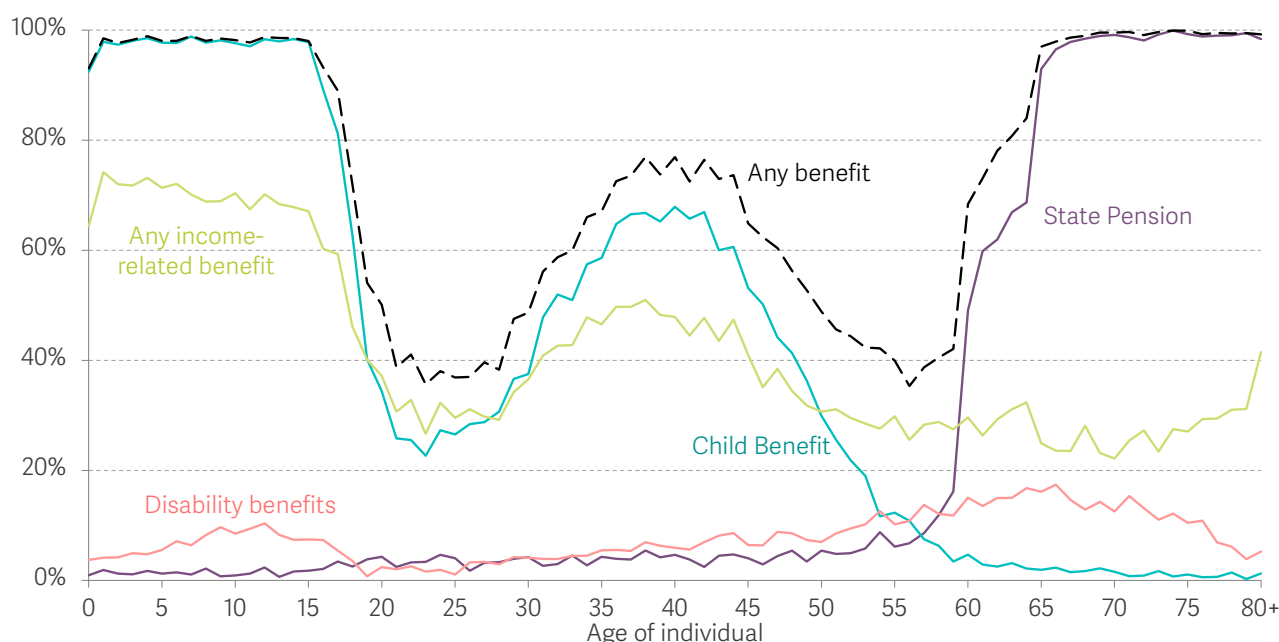
<sup>4</sup> We take 2005-06 as our comparator year to allow the full impact of the April 2003 introduction of tax credits to be fully reflected in the data (this reform significantly expanded the reach of income-related benefits).



from Child Benefit (in line with official Child Benefit statistics). But we also see large reductions in the number of people in households receiving an income-related benefit: between 20 and 30 per cent of working-age adults were in receipt of one in 2019-20 (depending on their age), compared to between 30 and 50 per cent in 2005-06. Receipt of the State Pension for those aged over 66 has remained relatively unchanged, and the combination of the rising State Pension age and the ageing population means that the share of the population in a household receiving the State Pension remained unchanged between 2005-06 and 2019-20 (21 per cent).

**FIGURE 2: The welfare system provided support to far more people in the mid-2000s**

Proportion of individuals living in households that receive income from social security benefits or tax credits, by type of benefit and age: UK, 2005-06



NOTES: Disability benefits include Disability Living Allowance and Personal Independence Payment. Income-related benefits include Universal Credit, Working and Child Tax Credit, Carer's Allowance, Incapacity Benefit, Pension Credit, Housing Benefit, Income Support, Jobseeker's Allowance and Employment and Support Allowance (including contributory-based).

SOURCE: RF analysis of DWP, Households Below Average Income and Family Resources Survey.

Some of the changes between 2005-06 and 2019-20 might be explained by changes in employment and earnings. In particular, the working-age employment rate rose slightly over this period (76 per cent in 2019-20 compared to 75 per cent in 2005-06), although the employment rate for single parents increased from 56 per cent to 69 per cent.<sup>5</sup> But real-terms median employee earnings fell by 3 per cent from 2005 to 2019 which, all other things equal, would have increased entitlements to means-tested in-work

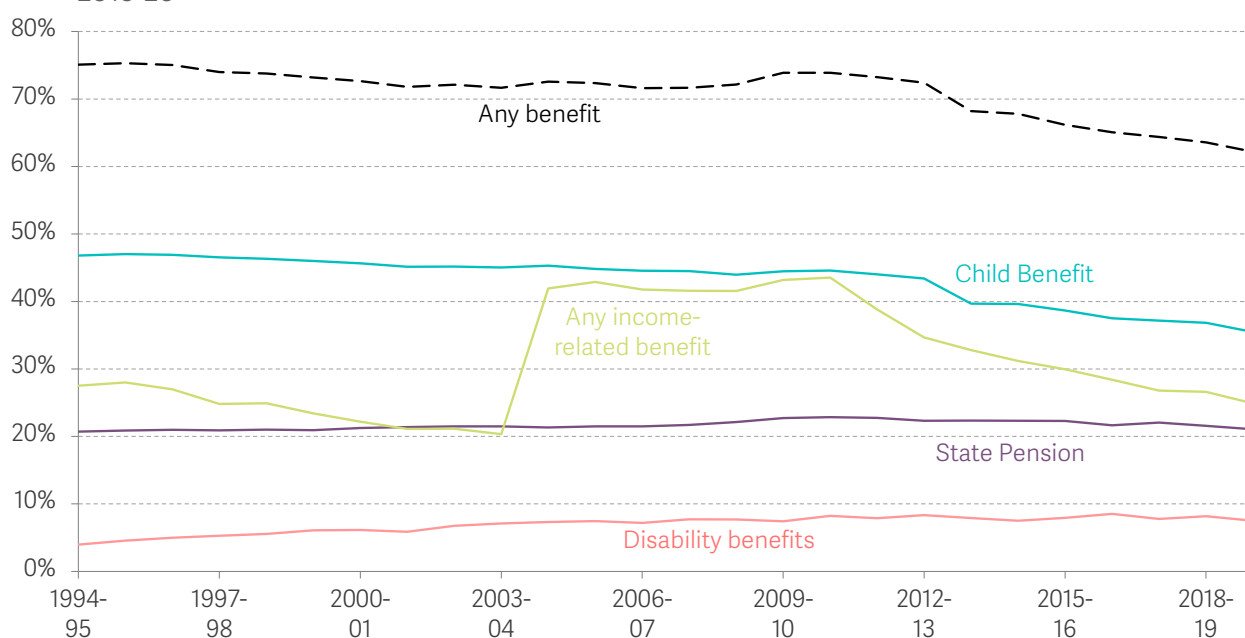
<sup>5</sup> See: ONS, Table A04; ONS, Workless Households.

benefits (although there has been growth in employment and earnings since 2015).<sup>6</sup> However, benefits policy has also played a key role. Over this time period, Child Benefit has effectively been withdrawn where a parent's income exceeds £60,000, working-age benefits have reduced in (real-terms) generosity, and the State Pension age has risen from 65 to just under 66 for men and from 60 to just under 66 for women.

Figure 3 shows a fuller time-series of the proportion of people that live in a household that receives some benefit income. This clearly shows the impact of the introduction of the High Income Child Benefit Tax Charge in January 2013, as well as the reform to tax credits (and their increase in generosity) in April 2003 (the full effect of which is not seen until 2004-05 in this data). The effect of the financial crisis in 2008-09 was a more modest increase of 2 to 3 per cent of the population with at least some household benefit income. Since 2010, there has been a general decline in income-related benefit receipt that has come alongside significant reductions in benefit generosity, resulting from the falling real-terms value of benefits and particular policies such as the two-child limit, the benefit cap and the removal of the family element to the child tax credit.

**FIGURE 3: The falling reach of the welfare state has been driven by reduced eligibility of Child Benefit and income-related benefits**

Proportion of all individuals with any household-level benefit income: UK, 1994-95 to 2019-20



NOTES: Disability benefits include Disability Living Allowance and Personal Independence Payment. Income-related benefits include Universal Credit, Working and Child Tax Credit, Carer's Allowance, Incapacity Benefit, Pension Credit, Housing Benefit, Income Support, Jobseeker's Allowance and Employment and Support Allowance (including contributory-based).

SOURCE: RF analysis of DWP, Households Below Average Income and Family Resources Survey.

<sup>6</sup> See: ONS, Average Survey of Hours and Earnings (overall median pay); DWP, Abstract of DWP benefit rate statistics. Figures deflated by CPIH.

Figure 4 looks at benefit receipt as each generation experienced it. It shows the average household income from benefits across all individuals (including those that do not receive benefits), and showing how this varies both by age, and by generational cohort.<sup>7</sup> The advantage of analysing average benefit incomes is that we can look at the effect of generosity as well as eligibility. For example, we can see that generation Z received more household benefit income in their early childhood than Millennials, reflecting the increased provision of in-work benefits for families with children in the early 2000s,<sup>8</sup> as well as higher expenditure on Housing Benefit driven by the deregulation of the private rented sector in the early 1990s.<sup>9</sup> But this change has been almost completely reversed for generation Alpha (born from 2016).<sup>10</sup>

Millennials in their 20s typically received more benefit income than generation X did, but now into their 30s have lower average benefit income. This variation is likely explained by the trends we have already identified and discussed in Figure 3, although increasing housing costs over time may have also had an effect through higher housing benefit costs.<sup>11</sup> This small variation aside, it is remarkable how little change there has been in average benefit income for working-age individuals. For example, three separate generations all received around £65 a week on average in benefit income during their early 50s (in 2019-20 prices).

<sup>7</sup> As our data only extends back to 1994-95, we can't see the complete age distribution for older generations. For example, for generation X (born between 1966 and 1980), we can observe their average benefit income – adjusted for inflation – only from age 15 to age 53. It is also worth noting that the sample is smaller at the start and end of each generation's age period, and so the estimated averages may be more uncertain as a result. Similarly, our estimates for generation Alpha even at very young ages may well change over time as more children are born into this cohort.

<sup>8</sup> For a more detailed discussion of this point see: M Brewer et al, *Credit where it's due? An assessment of the new tax credits*, Institute for Fiscal Studies, October 2001; and, M Brewer et al, *Did Working Families' Tax Credit work?*, Labour Economics, Vol. 13, No. 3, pp. 699-720, December 2006.

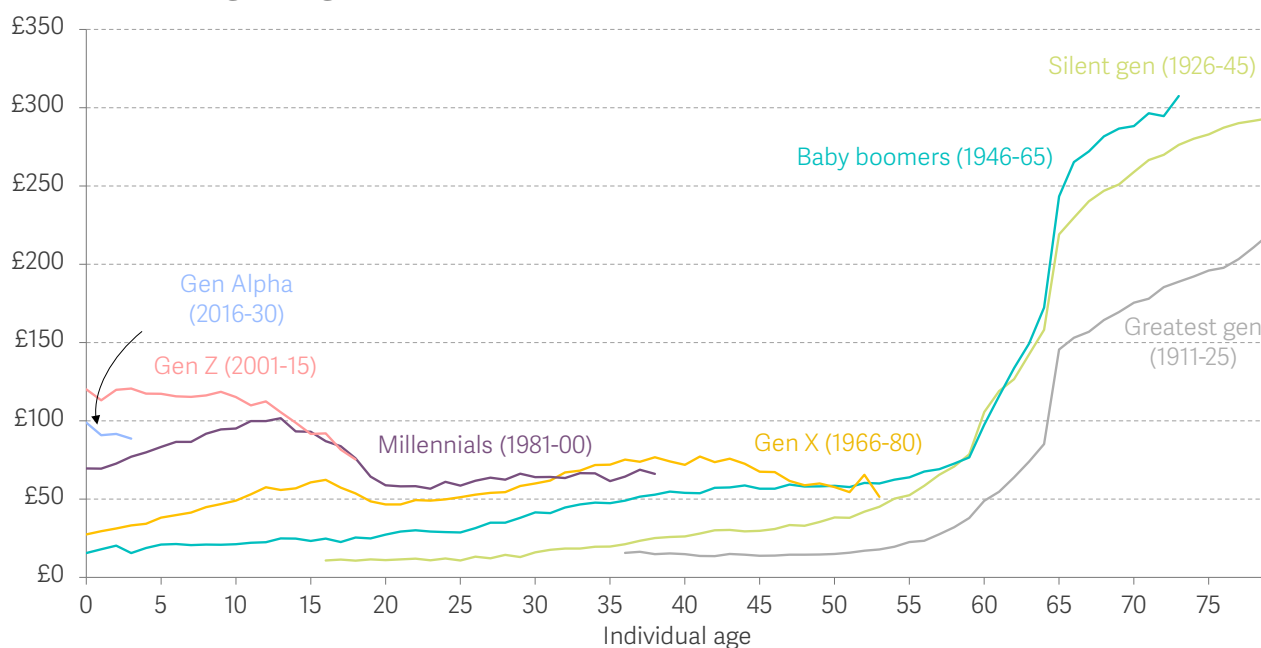
<sup>9</sup> See page 164 of: OBR, *Welfare Trends Report*, October 2014. It is also worth noting that increased benefit income through housing support does not necessarily lead to a living standards gain for the household if the quality of housing does not also increase.

<sup>10</sup> This is the first Intergenerational Centre output to feature generation Alpha, which we use to describe those born since 2016. We note that the name is far from settled – one could make a case in the UK to call these individuals generation Brexit for example.

<sup>11</sup> For example, see figure 9.1 in: OBR, *Welfare Trends Report*, October 2014.

**FIGURE 4: Average benefit income has also fallen across most of the age distribution**

Average real-terms (2019-20 prices) equivalised weekly household benefit income by individual age and generation: 1961 to 2019-20



NOTES: Generations calculated by year of birth as shown in the chart. Income deflated by HBAI Before Housing Costs deflator. Benefit income includes housing support.

SOURCE: RF analysis of DWP, Households Below Average Income.

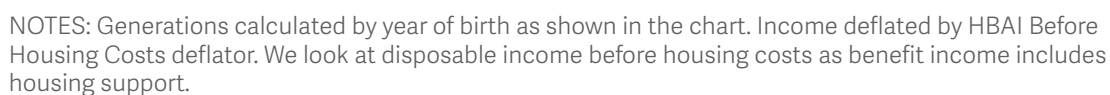
This stability in household benefit income for working-age adults contrasts with pensioner benefit incomes, of which the vast majority was through the State Pension.<sup>12</sup> Across the three generations who have been of pension age since 1994-95, we can see that pensioner income from benefits has increased for more recent cohorts. The Silent generation (born between 1926 and 1945) had £60 higher pensioner benefit income in real-terms than the previous Greatest generation at specific ages. Likewise, Baby boomers are experiencing typical pensioner incomes some £25 per week higher than the Silent generation. Overall, those aged 70 in the Baby boomer generation have average weekly pensioner benefit income of £275, 42 per cent higher in real terms than the average £190 received by the Greatest generation at that age. This has all been a result of deliberate policy to increase the State Pension above the rate of inflation, by a 'double lock' of average earnings and prices from 1975 to 1980, three years of above inflation increases in 2001, 2002 and 2009, and by the triple lock since April 2011.

This analysis has looked at benefit income over time as deflated by prices – that is comparing the value of income relative to the cost of living. An equally valid alternative approach is to look at the value of benefit income relative to earnings growth, which has

<sup>12</sup> 80 per cent of pensioner benefit spending in 2019-20 was through the State Pension, with the remainder of pension benefits paid through disability and care benefits (11 per cent), Housing Benefit (6 per cent) Pension Credit (4 per cent), Winter Fuel Payments (2 per cent), and other benefits (1 per cent); figures taken from: *Benefit expenditure and caseload tables 2021*, DWP.

We can also analyse benefit income as a share of disposable income – as in Figure 5.<sup>13</sup> We can see a similar pattern over the age distribution and by generation, with relative generosity increasing and then falling for children and remaining relatively constant for working-age adults. However, for pensioners the share of income provided by the State Pension actually falls for later generations in our analysis (though in absolute terms it increased). This is explained by other pensioner income – that from pensioner employment and from private pensions – rising faster than the State Pension over that period.<sup>14</sup>

Average weekly household benefit income as a share of disposable household income (before housing costs) by individual age and generation: 1961 to 2019-20



SOURCE: RF analysis of DWP, Households Below Average Income.

14 See: A Corlett, As time goes by: shifting incomes and inequality between and within generations, Resolution Foundation, February 2017.

## The Covid-19 crisis has seen the numbers receiving UC finally surpass legacy benefits

Although the numbers of families on benefits has changed gradually over recent years, the Covid-19 crisis has seen a significant increase. The pandemic has caused a large rise in Universal Credit (UC) claims, while the number of families on legacy benefits has continued to dwindle.<sup>15</sup> To look at the changing nature of income-related benefits through the crisis, we have to use administrative benefit data, rather than data from household surveys.<sup>16</sup>

## The slow and steady rollout of UC is not so slow anymore

Figure 6 shows how the number of families claiming UC and various legacy benefits has changed since 2015.<sup>17</sup> The number of families on UC has increased since 2015, initially slowly, but with the rate of increase picking up from the start of 2019, when legacy benefits were closed to new claimants in all parts of the country. At the same time, the number of legacy benefit families has been declining: over 3 million families were receiving tax credits in December 2015, falling to fewer than 1.5 million by December 2020. Although this decline is principally due to the rollout of UC, reductions in generosity since 2015 (as mentioned earlier) – as well as the strengthening labour market in the run-up to the crisis – will also have meant fewer families were entitled to the means-tested legacy benefits than would have otherwise been the case.<sup>18</sup>

When the Covid-19 pandemic hit, a completely unprecedented 2.4 million new claims were made for UC in just 10 weeks, more than the previous 45 weeks combined. This led to 1.3 million more families receiving UC over the same period; since February 2021 then, the caseload has risen by a further 400,000 families.<sup>19</sup>

Overall, the number of families receiving an income-related benefit has increased by 1.4 million during the crisis (from 6.1 million in February 2020 to 7.5 million in February 2021). And this suggests the overall proportion of people in receipt of any benefit (as analysed in Figure 1) has risen from 62 per cent to 64 per cent.

<sup>15</sup> Universal Credit has been gradually replacing six different legacy benefits since 2013. It is replacing income-based Jobseeker's Allowance (JSA), income-related Employment and Support Allowance (ESA), Income Support (IS), Working Tax Credit (WTC), Child Tax Credit (CTC), and Housing Benefit (HB). Of these, families can receive at most one of JSA, ESA, IS and WTC, whereas CTC and HB can both be received in addition to any of the other four benefits (or in isolation).

<sup>16</sup> Administrative data is more up-to-date than survey data and should be more accurate, although it tells us nothing about the wider circumstances or incomes of the families receiving benefits, so we are not able to update the analysis in Figures 1 to 5. There are some other, smaller, implications: we switch from analysing the UK to just Great Britain (because benefits policy is devolved to Northern Ireland and separate statistics are produced); and we can look at the age only of adult recipients, as there is incomplete data on the age and number of children in families receiving benefits.

<sup>17</sup> A very small number of families (under 100,000) claimed UC before 2015 during the initial trials.

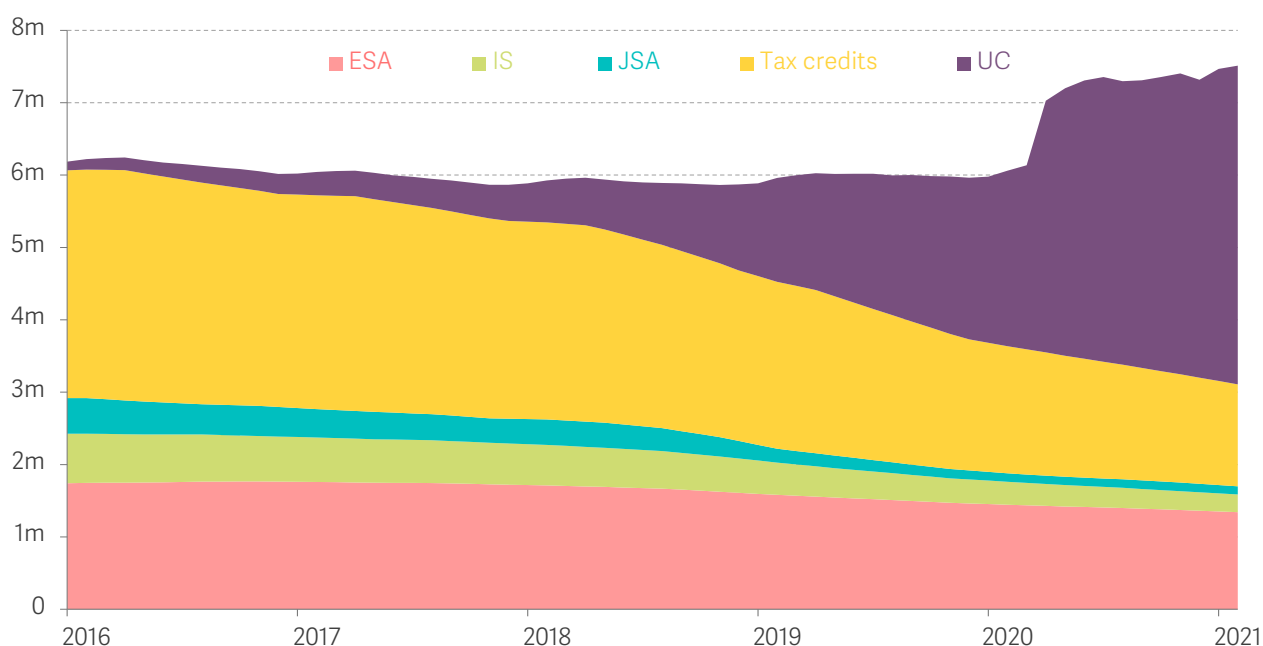
<sup>18</sup> For a full list of welfare policy changes see: [Policy measures database](#), OBR, April 2021.

<sup>19</sup> The increase in families receiving UC at a point in time is less than the number of new claims over a period of time because not all new claims for UC are successful or result in a payment being made (if family earnings increase, for example). For a more complete discussion on the new claims to UC during the start of the crisis, see: M Brewer and K Handscomb, [This time is different – Universal Credit's first recession: Assessing the welfare system and its effect on living standards during the coronavirus epidemic](#), Resolution Foundation, May 2020.

Estimates of the number of people receiving the legacy tax credits are not available after February 2021, but we do know that the number of families receiving UC fell by 130,000 between February and May 2021. However, back in March 2021, the OBR were still expecting the number of families claiming UC to remain higher because of the pandemic through the remainder of 2021 (by around 1 million compared to pre-crisis forecasts) and 2022 (by around 700,000).<sup>20</sup>

**FIGURE 6: Universal Credit continues to steadily replace other income-related benefits, though with an unprecedented increase at the start of the Covid-19 crisis**

Number of families receiving Universal Credit and legacy benefits: GB



NOTES: UC figures are cases that are in-payment only. Tax credits excludes families who are out of work (and who are likely claiming JSA, ESA or IS as well). JSA figures are claims. JSA and ESA figures are income-based only. Families are able to claim more than one of some of these benefits, meaning we cannot show this data using stacked lines.

SOURCE: Stat-Xplore, DWP; Child and Working Tax Credit statistics: Provisional awards, December 2020, HMRC.

## There are almost as many new working benefit claimants as there are unemployed claimants as a result of the crisis

It is unfortunate that DWP and HMRC do not produce a single set of statistics that record how many individuals and families are claiming – and receiving payment for – UC and other legacy benefits, broken down by their labour market status. In the absence of such official estimates, Figure 7 presents our own, where we break down our estimates of the

<sup>20</sup> See: OBR, [Welfare Trends Report](#), March 2021.

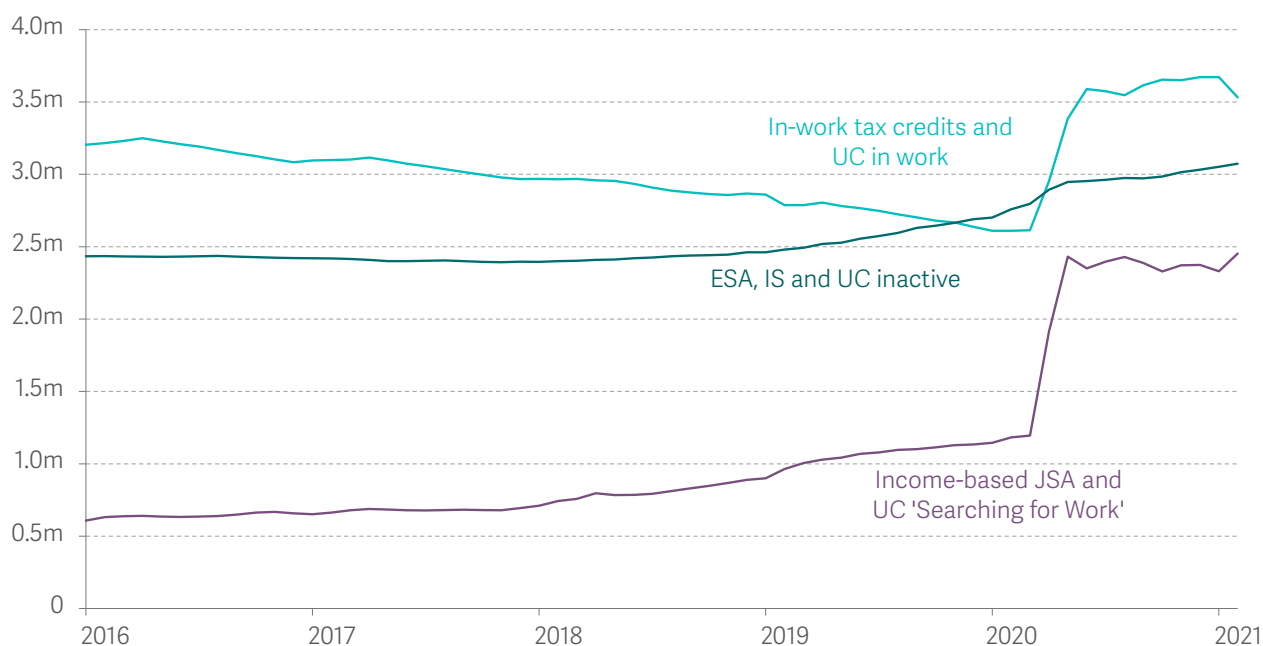


total number of people claiming income-related benefits by their family's work status.<sup>21</sup>

Before the crisis, the number of individuals in work and on benefits was declining, while the number of those on JSA or UC Searching for Work was rising – however, this would have been in part due to the changing conditionality requirements and definitions introduced by UC.<sup>22</sup> But since the start of the Covid-19 crisis, we estimate there are 1.3 million more individuals in receipt of an income-related benefit who are 'unemployed' – that is they are claiming JSA or in the UC Searching for Work group. That is not much higher than the 900,000 more individuals who we estimate are in a working family and in receipt of UC or tax credits.

**FIGURE 7: The crisis has seen almost as many new in-work claimants as unemployed claimants**

Number of individual claimants of income-related benefits, by family work status: GB



NOTES: UC conditionality groups are used as a proxy for family work status in line with legacy benefit entitlement. UC figures include individuals in families not in payment as information is not available by conditionality group. Significant partner information is missing for JSA and ESA statistics, and so these figures may be an under-estimate of individuals in earlier years. UC inactive includes people in a conditionality group where they are not expected to intensively look for work due to a health condition, or due to caring for a young child. JSA, ESA, IS and tax credit data has been interpolated for months where data not available.

SOURCE: Stat-Xplore, DWP; Child and Working Tax Credit statistics: Provisional awards, December 2020, HMRC.

<sup>21</sup> There are inevitably some limitations to our analysis. For example, we had to use data on individual adult claimants of UC, as data on the number of families on UC is not available by household work status. This is unfortunate, as the 'Individuals on Universal Credit' statistics do not allow us to exclude cases that are not in payment (some 15 per cent of families on UC). Additionally, where possible, we have included partners of main claimants in legacy benefit counts, but this is not always possible, particularly for JSA and ESA, where partner information is often missing from the benefit statistics, and this may mean that our estimates of the number of adults in claims for JSA and ESA are an undercount in earlier years.

<sup>22</sup> For a detailed explanation see the background information in: [Alternative Claimant Count Statistics](#), DWP, July 2021.

As before, these combined statistics are only available up to February 2021 in the case of JSA, ESA and IS, and April 2021 in the case of tax credits, whereas far more recent data is available for individuals on UC. Since February, the number of Searching for Work UC claimants has fallen by 237,000, and the number of UC in work claimants has increased by 119,000.

## Almost all new benefit recipients have been single and young

Figure 8 shows the number of families on UC and legacy benefits by family situation for the period from December 2019 and February 2020 (before Covid-19) to December 2020 and February 2021 (the latest complete data).<sup>23</sup>

Before Covid-19, more single people were receiving income-related benefits than couples, with 2.5 million single people with no children and 2 million single parents receiving either UC or a legacy benefit.<sup>24</sup> Among couples receiving benefits, the vast majority had dependent children.

In the latest data, collected during the middle of the Covid-19 crisis, the number of single people with no children receiving income-related benefits had increased by 1.1 million (a 43 per cent increase) compared to the year before, while the rise among all other family types has been just 300,000 (or 8 per cent overall). In other words, of the 23 per cent rise in families claiming an income-related benefit between December 2019/February 2020 and December 2020/February 2021, 79 per cent is accounted for by single people without children.

As we mentioned earlier, it is no longer possible for the numbers receiving legacy benefits to rise, so the rise in the number receiving an income-related benefit has to be driven by a rise in the UC caseload. However, what is striking is that the rise in UC claimants among parents and couples with no children is broadly offset by a fall in the number receiving legacy benefits, whereas for single people with no children, the 1.2 million extra claiming UC in February 2021 compared to before Covid-19 dwarfs the fall of 70,000 in receipt of legacy benefits.

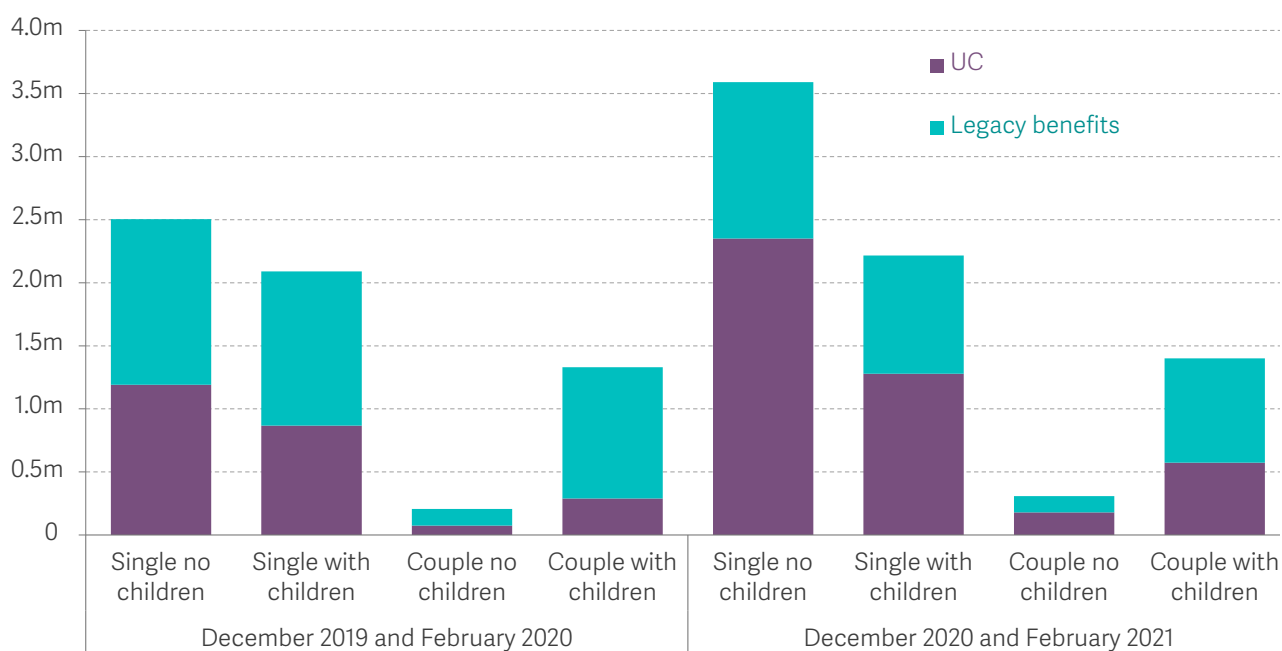
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<sup>23</sup> December 2020 are the latest tax credit statistics before the crisis, and February 2021 are the latest for other legacy benefits and UC. Legacy benefit data is not available for December 2020. We compare one year on, as that is the latest available data for legacy benefits. More recent UC data is available, but would then be inconsistent with the other data.

<sup>24</sup> Although for legacy benefits this could be reflecting the low quality of the partner information for JSA and ESA statistics.

**FIGURE 8: Almost all the rise in families claiming income-related benefits in the Covid-19 crisis comes from single people with no children claiming UC**

Number of families claiming income-related benefits, by family situation: GB



NOTES: Legacy benefits are made up of income-based Jobseeker's Allowance, income-based Employment Support Allowance, Income Support, and tax credits. JSA figures are claims. JSA and ESA figures are income-based only. Data for Tax Credits is from preceding December, data for all other benefits is from February. We have used tax credit data for working families, and families with children, and DWP data for non-working families without children. There are no administrative statistics on the number of income-related ESA claims without children, so we have estimated a share of ESA claims based on FRS data. SOURCE: Stat-Xplore, DWP; Child and Working Tax Credit statistics: Provisional awards, December 2020, HMRC.

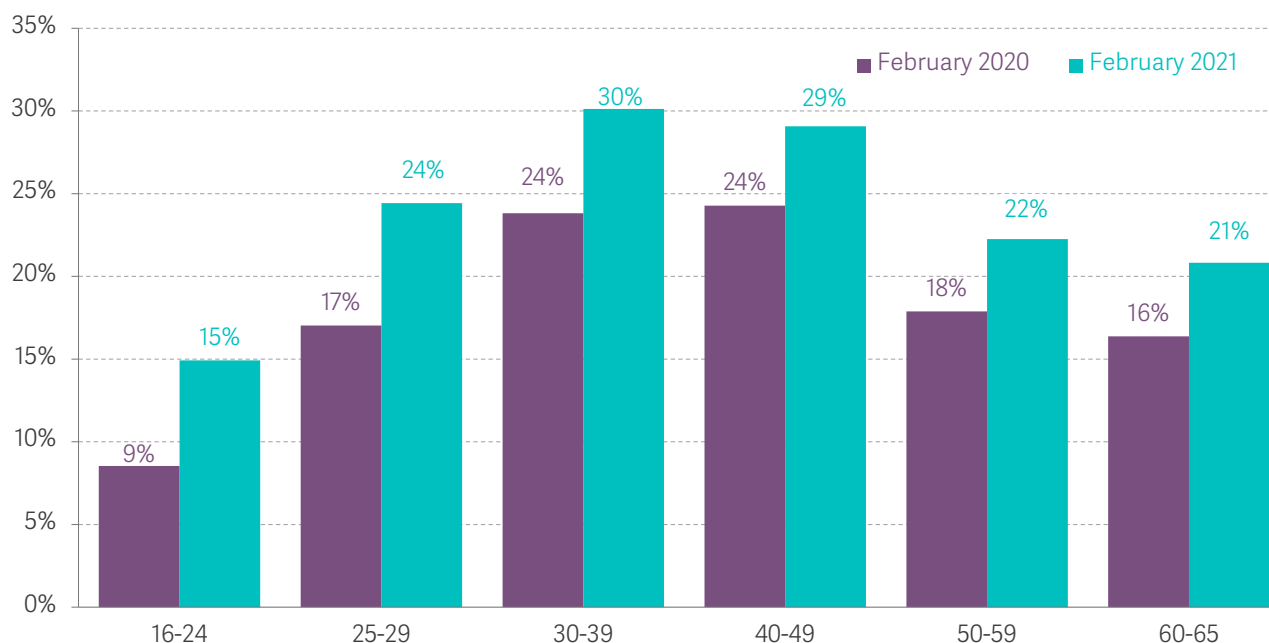
Figure 9 shows the proportion of the population claiming an income-related benefit by age.<sup>25</sup> Before Covid-19, a higher proportion of 40-49-year-olds were receiving a benefit than any other (working-age) age group, at 24 per cent. In contrast, only 9 per cent of 16-24-year-olds were receiving a benefit. During the crisis, the largest increases in the proportion of people receiving a benefit were for 25-29-year-olds, with a 7 percentage point rise (in the year to December 2020/February 2021), but the 16-24-year-olds saw the proportionally largest rise – a rise of around two-thirds compared to before the crisis from 9 to 15 per cent. 30-59-year-olds also were more likely to be claimants (rising from 22 to 27 per cent) as were 60-65-year-olds (rising from 16 to 21 per cent). Of the increase in benefit claimants of 2.3 million during this time period; 786,000, or 34 per cent, were aged under 30. However, it should be noted that the administrative data on the ages of claimants include some UC claimants who are not actually being paid any UC, and so overstates

<sup>25</sup> To do this, we again have to use the administrative data on individuals in receipt of UC, not families. As explained earlier in the note, analysis of individuals in benefit data includes some UC claimants who are not in payment, and may miss some legacy partner claimants due to statistical quality.

the number of people actually in receipt of benefit.<sup>26</sup> This claimant data suggests overall a more equal impact of Covid-19 across the age distribution than unemployment or furlough data does.<sup>27</sup>

**FIGURE 9: Younger adults saw the largest increases in income-related benefit claimants during the crisis**

Proportion of individuals who are a UC or legacy claimant: GB



NOTES: JSA figures are claims. JSA and ESA figures are income-based only. Age band for tax credits is 60+, but few will be aged over 65. Figures for tax credits are from December as the closest available data, and figures for all other benefits are from February. The population estimates for 2019 were used to calculate the proportion of benefit claimants in both years. Includes UC recipients who are not in payment as they are not identifiable in the UC age statistics.

SOURCE: Stat-Xplore, DWP; Child and Working Tax Credit statistics: Provisional awards, December 2020, HMRC. Population estimates for Great Britain, ONS.

## Half of all children benefit from UC or tax credits

Our analysis of benefit receipt by age has necessarily ignored children because of the detail available in the administrative statistics. However, we can look at the total number of children that are in a family receiving an income-related benefit.<sup>28</sup> Figure 10 shows that this proportion fell from 47 per cent in December 2015 to 42 per cent in February 2020, before increasing to 44 per cent as of April 2021 – corresponding to around 6.7 million

<sup>26</sup> This is a specific issue with the UC statistics. In particular, between February 2020 and February 2021, there were 1.6 million more single adults in receipt of a UC payment, and 390,000 more couples, totalling around 2.3 million more people. However, the data on individual claimants – including those with nil payments – shows a total of 3 million more UC claimants from February 2020 to February 2021, overstating the actual rise in UC recipients rise by some 28 per cent.

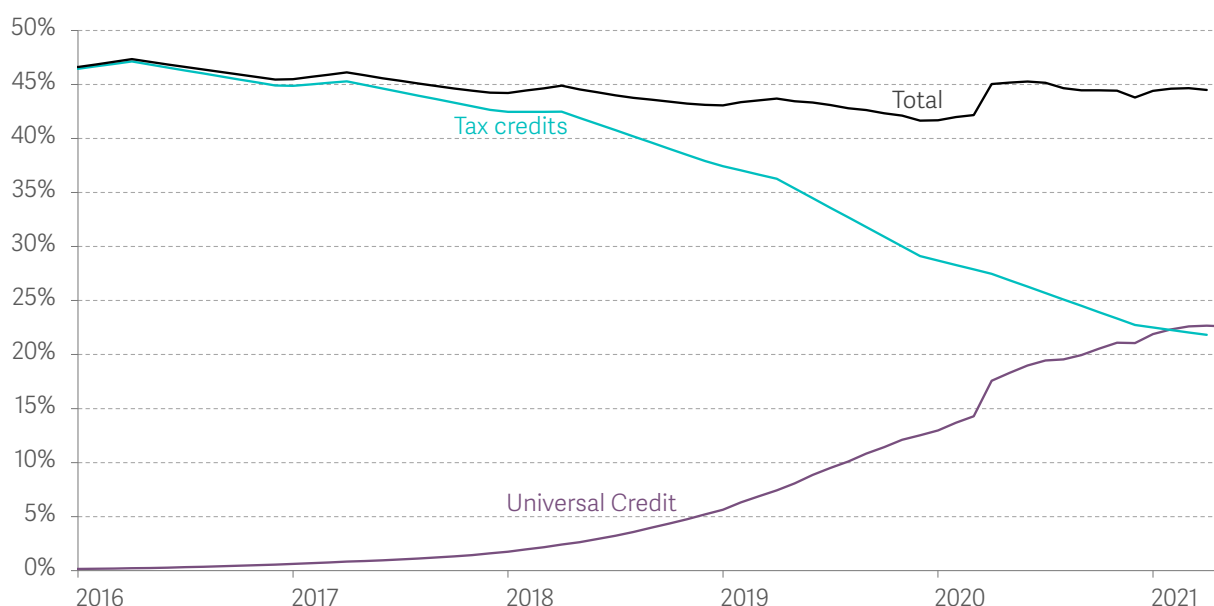
<sup>27</sup> For example, we found that 18-to-24-year olds were more than twice as likely to have lost their job as any other age group in our September 2020 survey as reported in Figure 9 of: M Brewer et al, *Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market*, Resolution Foundation, October 2020.

<sup>28</sup> We assume that all families with children claiming JSA, ESA, IS or HB are also claiming Child Tax Credit, this may therefore be an undercount.

children. Just as we saw in Figure 8, the proportion of children in families receiving UC increased over this time period (from 2.1 million children pre-crisis to 3.4 million children in May 2021), and the proportion of children in families receiving tax credits has fallen (3.5 million in April 2021). Given the trajectory of the number of children in a family receiving tax credits, it seems almost certain that this number has now fallen below the number of families in receipt of UC. Despite the upheaval caused by the pandemic, the rollout of UC has therefore continued to pass important milestones.

**FIGURE 10: The proportion of children in families benefitting from UC and tax credits is now almost equal**

Proportion of children in families receiving income-related benefit support: GB



NOTES: Tax credits refers to any children in a family claiming Working or Child Tax Credit. To calculate the proportion of children in families with income-related benefit support, the corresponding ONS population estimates for children 0-19-years old were used for each year (excluding 2020, where the estimates for 2019 were used).

SOURCE: Stat-Xplore, DWP; Child and Working Tax Credit statistics: Provisional awards, December 2020, HMRC; Population estimates for Great Britain, ONS.

## Pensioner and working-age benefit policies continue to diverge

As the recovery from the crisis progresses, we can expect the combined number of UC and legacy claimants to decrease, as previously unemployed claimants move into work, and families increase their earnings.<sup>29</sup> The economic recovery from the Covid-19 crisis is expected to be smoother than previously projected, with recent labour market statistics

<sup>29</sup> See: OBR, [Welfare Trends Report](#), March 2021.

showing falling unemployment<sup>30</sup>, and the Bank of England's most recent forecast predicting no rise in unemployment through the rest of 2021.<sup>31</sup>

However, this outlook does not come without risks. The furlough scheme (and self-employment support) comes to an end in September. As of June 2021, more than half of fully-furloughed workers were 45 or over, and nearly seven-in-ten respondents who were furloughed or unemployed and aged 55 to 64 had been in that state for at least six consecutive months.<sup>32</sup> If half of all long-term furloughed workers became unemployed, that could mean as many as 480,000 more UC claimants in October this year – of which 85,000 would be aged 55 to 65.<sup>33</sup> And, as we mentioned earlier, that would be in addition to the latest claimant data which shows 34,000 more UC claimants aged over 50 since February 2021.

At the same time, the £20 a week boost to UC will also cease in October (in the absence of a last-minute policy reversal), which will lead to large income losses among families receiving UC.

Amid this broader backdrop, it is also worth considering what today's benefit policy decisions mean when compared to recent history. Part of the reason for the almost unchanging average working-age benefit income in Figure 4 is the cumulative effect of benefit policy in recent years. In Figure 11 we examine the effect of benefit policy changes implemented from May 2010 up to and including 2019-20, considering working-age and Child Benefit policy separately to State Pension uprating policy. The cumulative effect of these policies has been that household incomes in 2019-20 were around 1 per cent lower for working age adults, around 2 to 3 per cent lower for children, and 2 per cent higher for pensioners than they would have been had benefit policy remained unchanged after 2010. In absolute terms, that means children, for example, are around £10 a week (£520 a year) worse off as a result of benefit policy changes; while pensioners are better off to the same degree. These effects are magnified for lower-income households across the age distribution.

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<sup>30</sup> ONS, [Labour Market Statistics](#), August 2021.

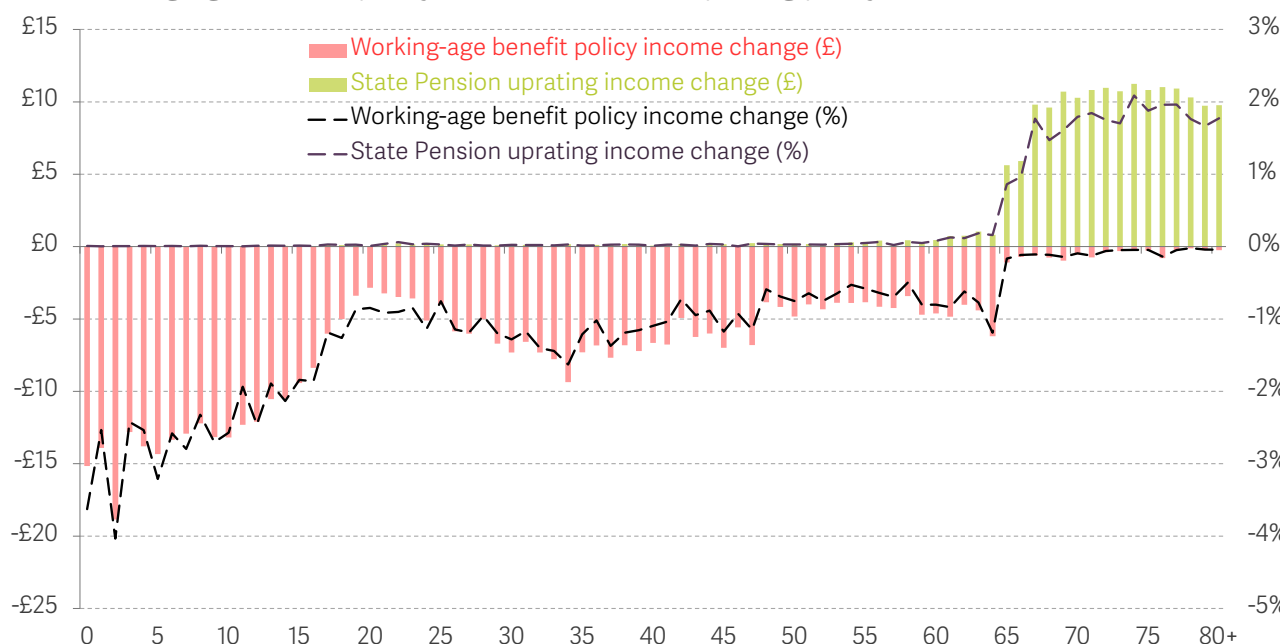
<sup>31</sup> See: Bank of England, [Monetary Policy Report](#), August 2021

<sup>32</sup> K Handscomb et al, [The Living Standards Audit 2021](#), Resolution Foundation, July 2021.

<sup>33</sup> 18 per cent of all furloughed employees are aged 55 to 64, applying that to the 970,000 fully furloughed employees gives 170,000. Halving that gives 85,000 potential additional 55 to 64-year-old UC claimants. Figures from: HMRC, [Coronavirus Job Retention Scheme statistics](#): 29 July 2021.

**FIGURE 11: Benefit policy since 2010 has cut incomes for children and working-age adults, while boosting pensioner incomes**

Change in average household income for individuals by age as a result of changes to working-age benefits policy and State Pension uprating policy since 2010: UK, 2019-20



NOTES: Effect of triple lock relative to CPI uprating. Working-age and Child Benefit policies include: uprating relative to CPI, benefit cap, removal of family premium and two-child limit, and the introduction of the High Income Child Benefit Charge. Changes as a fraction of income uses household income after housing costs.

SOURCE: RF analysis using the IPPR tax benefit model.

Today, there are two significant benefit policy decisions for the Government. Whether to keep the £20 per week boost for Universal Credit (which has been in place for 18 months), and how to uprate the State Pension next year.<sup>34</sup> Both will have a significant and lasting impact on the public finances, but they will have very different effects on incomes across the age distribution, as we examine in Figure 12.

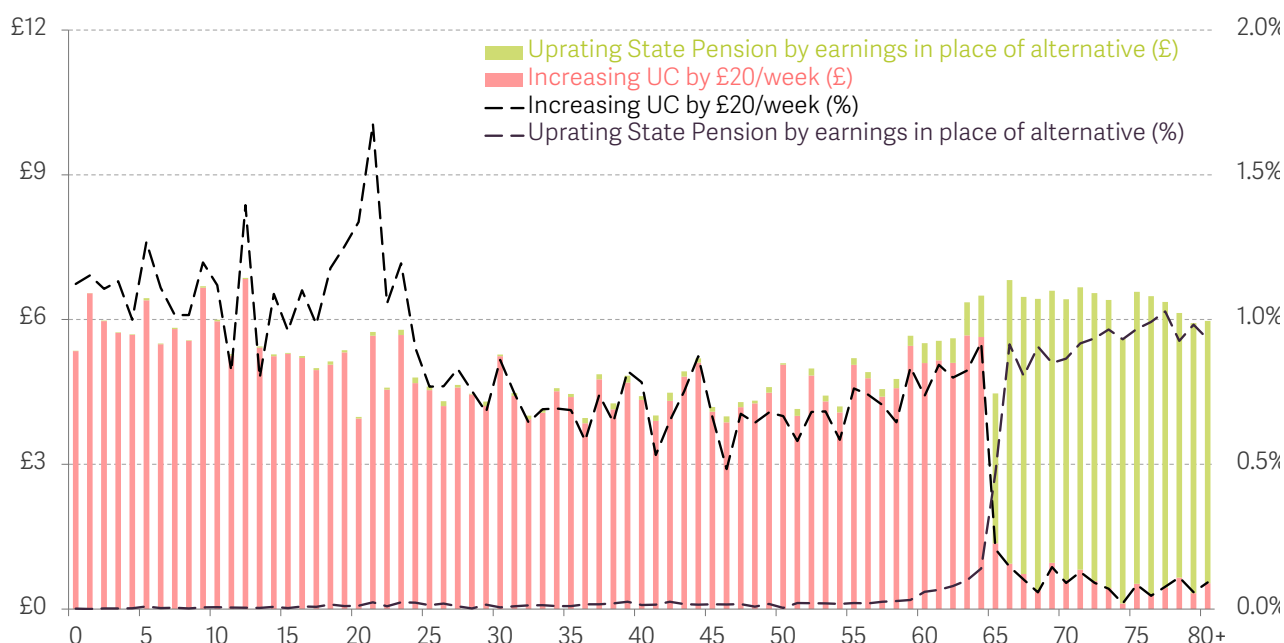
Uprating the State Pension by the usual triple lock mechanism – in this case, by the likely earnings growth of around 8 per cent – would increase average pensioner income by 1 per cent – or by around £300 per year – in 2022-23 compared to uprating by a two-year average – equivalent to 7 per cent earnings growth over the previous two years. Conversely, keeping the £20 per week in UC and Working Tax Credit would increase working-age adult incomes by 0.8 per cent on average (£240 per year), and by 1.1 per cent (£300 per year) for children (noting again that almost half of all children are in families receiving UC or tax credits). Although we have only included UC and tax credits in our modelling here, the Government should extend any permanent increase to the other legacy benefits, because they are effectively one and the same system of benefits.

<sup>34</sup> See: K Handscomb et al, *The Living Standards Audit 2021*, Resolution Foundation, July 2021.



**FIGURE 12: Keeping the £20 per week boost to Universal Credit and Working Tax Credit would rebalance the cumulative benefit policy changes made since 2010**

The effect on individuals' equivalised household income by age of maintaining the £20 per week uplift to Universal Credit and Working Tax Credit and the State Pension 'triple lock' increase: UK, 2022-23



NOTES: Household income after housing costs. The State Pension Triple lock increase effect is that if the State Pension is increased by annual earnings growth in April instead of being increased in line with two-year earnings growth. Cash figures are equivalised.

SOURCE: RF analysis using the IPPR tax benefit model.

The introduction of the furlough and self-employment schemes last year – at a cost of £82 billion in 2020-21 – represented an almost doubling of the size of working-age welfare spending and supported over 9 million employees and almost 3 million self-employed workers, albeit temporarily.<sup>35</sup> The Covid-19 crisis has had profound intergenerational impacts, whether from the health or the shock to the labour market impact. It is also true that Government policy can prioritise one group over another – perhaps nowhere is that quite as stark as the options for the benefits system facing policy makers right now.

<sup>35</sup> See: M Brewer et al, *In need of support?: Lessons from the Covid-19 crisis for our social security system*, Resolution Foundation, April 2021; HMRC, Coronavirus (COVID-19) statistics.

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