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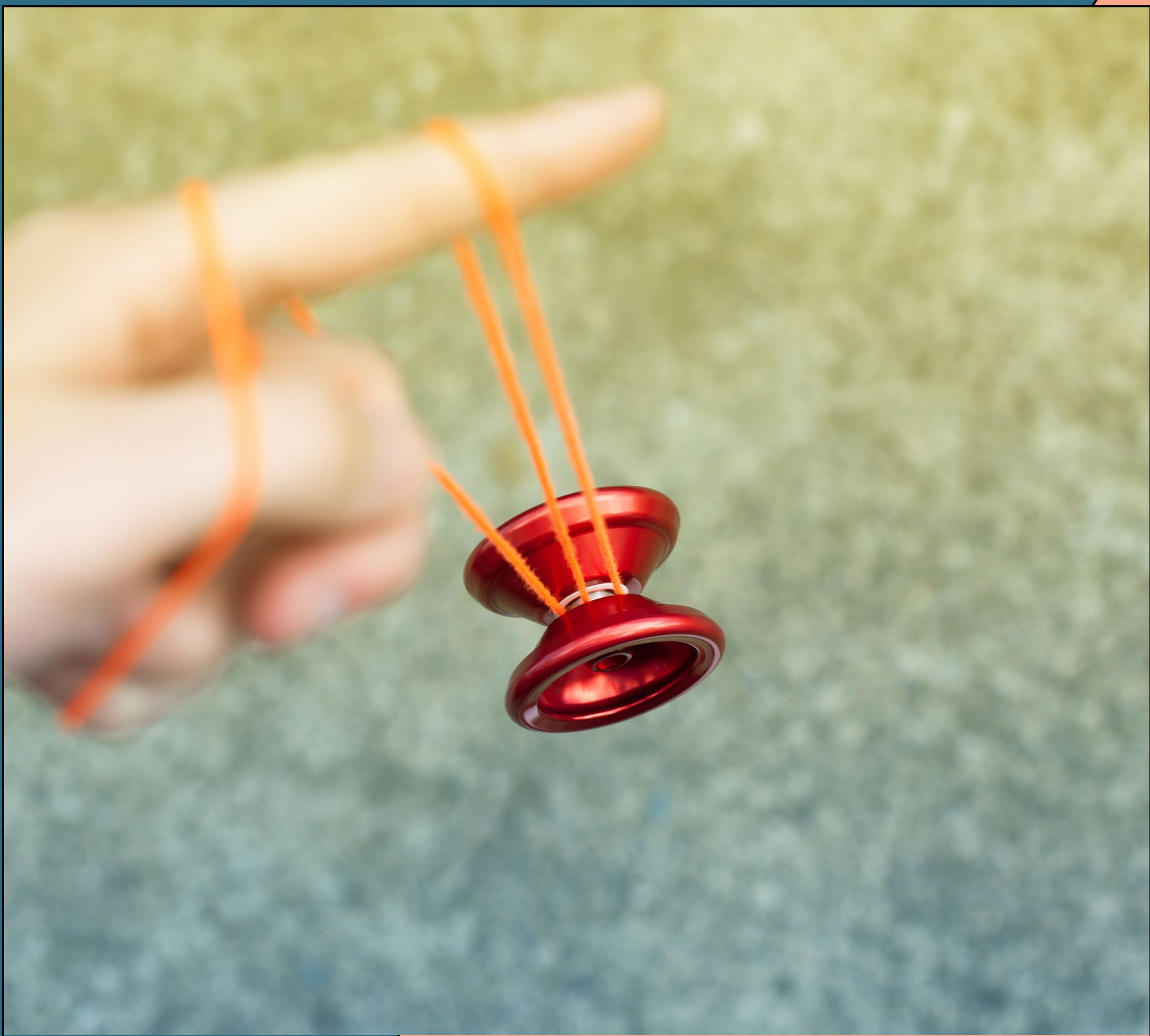
Ratchets, retrenchment and reform

The social security system since 2010

Mike Brewer & Alex Clegg
June 2024



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Summary

Spending on social security as a share of GDP has risen slightly since the financial crisis, but the system in Great Britain has undergone profound change over the same time. Large-scale structural reforms have fundamentally altered the system's rules for working-age families, while working-age benefits have been both cut back and then not fully indexed in line with inflation. In contrast, support for pensioners has been not just protected but bolstered. But the population that needs to access social security is changing, and rising destitution, record homelessness and child poverty are just the sharpest evidence that the current safety net is inadequate. This note surveys how the social security system has changed over the last fourteen years, the impact this has had on the people that rely on its support, and the issues that the next government will encounter in shaping social security policy.

Social security spending as a share of GDP has grown slightly since the eve of the financial crisis, but the period has seen a huge amount of structural reform

Total expenditure on social security in 2024-25 is set to be 11.2 per cent of GDP, 1.2 percentage points above its level on the eve of the financial crisis. However, this picture of relative stability obscures significant shifts. Expenditure on benefits for children and working-age adults that are not related to health or housing declined from 2.8 per cent of GDP in 2007-08 to 1.9 per cent in 2024-25. In contrast, spending on the State Pension increased from 3.7 per cent of GDP in 2007-08 to 5.0 per cent in 2024-25 and spending on non-pensioner disability and incapacity benefits increased from 1.2 per cent of GDP to 2.1 per cent of GDP.

The relative stability in overall expenditure also masks a great deal of structural change over the past 14 years. This is dominated by the introduction of Universal Credit (UC), the widest-ranging benefit reform in a generation. But UC is not the only new benefit on the block: Disability Living Allowance (DLA) has been replaced by Personal Independence Payment (PIP); the national Council Tax Benefit has been devolved to localised Council Tax Support (CTS); and new benefits to support the costs of disability and children have been introduced in Scotland. New benefits now dominate the working-age system: two-thirds of non-pensioner benefit expenditure this year will be spent on benefits that did not exist in 2010.

The principle of uprating working-age benefits in line with inflation has been severely undermined, while a new settlement for pension uprating has boosted pensioner incomes

In parallel with these wide-ranging structural reforms, the last fourteen years have broken with the long-held principle that working-age benefits are automatically uprated each year in line with inflation. Working-age benefits were frozen or increased at a rate below inflation in seven of the last fourteen years, resulting in the real value of basic unemployment support falling by 7.6 per cent. Crucially, though, the Government returned to uprating working-age benefits annually with prices since 2020, including through the years of very high inflation.

In contrast, the uprating of pension-age benefits has been robust: the triple lock, introduced in 2010, has ensured that the State Pension has risen each year by the greatest of CPI, growth in average earnings, or 2.5 per cent (outside of 2022-23, when it was suspended due to the furlough scheme distorting earnings growth figures from the previous year), while the means-tested Pension Credit has increased in line with earnings for the majority of the period. As a result, the real value of the State Pension rose by 16.0 per cent over the 14 years since 2010, while the real value of average earnings grew by just 2.0 per cent.

The changes to social security since 2010 can be seen in three distinct periods, each with a different focus and with different impacts

While the overall picture of the last 14 years for non-pensioner benefits has been of big cuts and large-scale reforms, the changes can be understood in more detail by focusing on three distinct periods, each with a different focus and with different impacts. Between 2010 and 2015, cuts to non-pensioner support hit families across the income distribution relatively evenly. The introduction of means-testing to Child Benefit and the narrowing of Child Tax Credit eligibility hit higher- and middle-income families, while cuts to housing support, the introduction of the benefit cap and below-inflation uprating hit poorer families. Then, freezes to most non-pensioner benefits between 2015 and 2019 hit households in the bottom fifth of the income distribution hardest. In contrast, changes between 2019 and 2024, including the rollout of Universal Credit gathering pace and further boosts in support for low-income workers within it, have raised average incomes for many low-income households in work, but not by enough to offset the previous cuts.

On average, working-age households in receipt of benefits have lost £1,500 per year from all social security changes since 2010 in 2024-25 prices (excluding the change from using RPI to CPI to uprate benefits), while out-of-work households have lost £2,200, lone parents receiving benefits have lost £2,600, and households on benefits with three or more children have lost an average of £4,600. Overall, the poorest fifth of working-age households have lost 14.2 per cent of their 2010 income.

The story for pensioners has been very different. The introduction of the triple lock and the new State Pension have boosted incomes across the distribution, only marginally offset by cuts to housing support for lower-income renters. On average, pensioner households have gained by £800 per year from these changes in 2024-25 prices.

The next government will inherit a system that contains two major upward pressures...

Total social security expenditure is forecast to increase in real terms by £20.8 billion by 2028-29 based on current policy and standard uprating conventions, driven mainly by two key upward pressures. First, 45 per cent of the forecast rise in expenditure comes from a real-terms rise of £9.5 billion in spending on the State Pension between 2024-25 and 2028-29 (although this will remain flat as a proportion of GDP at 4.9 per cent). This is the result of an expected 8.2 per cent increase in the number of pensioners, and a 3.6 per cent rise in the real value of the State Pension, thanks to the triple lock which both main parties have already committed to keeping.

Second, spending on non-pensioner disability and incapacity benefits is forecast to increase by an extra £9.7 billion per year in real terms by 2028-29, accounting for a further 47 per cent of the total forecast increase in social security expenditure (equivalent to a rise from 2.1 per cent of GDP in 2024-25, to 2.3 per cent in 2028-29). This is driven by the expectation that the number of people awarded disability and incapacity benefits will continue on an upward trend, as well as by an expected increase in average disability benefit awards. How this pressure is to be managed in the next parliament is far more contested than it is for the State Pension: at the time of writing we have seen the Conservative party suggest it will make significant reforms to reduce the forecast spend on working-age health-related benefits, although cuts of £12 billion a year by the end of the next Parliament would be extremely challenging to implement.

... but a host of unacknowledged – and arguably unsustainable – stresses too

Running counter to these two major upward pressures, however, support for housing, for children, for non-disabled working-age adults, and health-related and means-tested support for pensioners is set to fall from 4.1 per cent to 3.9 per cent of GDP between 2024-25 and 2028-29, representing a broadly flat forecast for real spending (a modest rise of £1.6 billion in real terms). But the assumptions underpinning these forecasts require the next government to accept some very challenging outcomes which may simply prove not to be sustainable as the next parliament unfolds.

To begin, the forecast assumes that the next government will continue with the rollout of the two-child limit, which will result in the majority (51 per cent) of children in large families living in poverty by 2028-29. Added to this, Local Housing Allowance (LHA) is assumed to be frozen at 2024-25 levels, even though rents are expected to rise by 13 per cent by 2027. And these ongoing forms of restraint come at a time when there is already good reason to think that core levels of benefits are inadequate. In 2022-23, for example, 23 per cent of people in the bottom fifth of the income distribution lived in households that could not afford to keep their homes warm enough (up from 10 per cent in 2020-21), and 13 per cent could not afford to keep up with bills or debt repayments. And poverty has deepened too: household incomes for working-age households in relative poverty were on average £8,650 per year below the poverty line in 2022, up from £7,500 in 2010 (in 2024-25 prices).

For all these reasons, any further cuts to social security are likely to reappear as increased spending pressures elsewhere, for instance in health and local government, which is increasingly relied upon to pick up the pieces in the event of homelessness and other crises. The number of families living in temporary accommodation has, for instance, doubled since 2010, and homelessness is at a record level.

The next parliament should feature a renewed focus on securing the foundations of the social security system

The next government will inherit a social security system that has been substantially reformed and modernised over the past 14 years, but also one that has tilted spending from working-age families towards pensioners; that has seen benefits fall in real-terms (although not due to decisions made by the most recent Government); and has broken the link between entitlement and need for some of the most vulnerable households. The next government may not need to undertake structural reforms of the sort seen in the 2010s. But it will need to consider how best to strengthen the social security system if it is to prevent rising hardship and enable all households to share in future economic growth.

Spending on the social security system has risen modestly since the financial crisis, but its structure is fundamentally different

As a proportion of GDP, social security spending is slightly higher than it was before the financial crisis, rising from 10.0 per cent in 2007-08 to 11.2 per cent in 2024-25.[1]

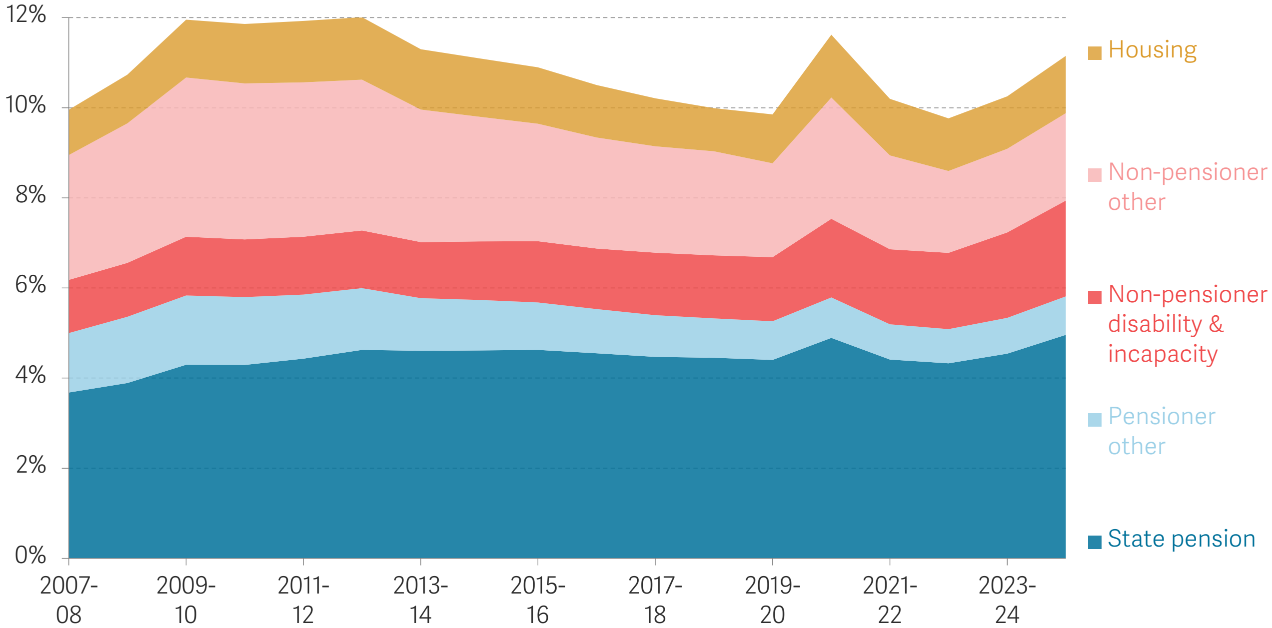
This rise is driven by increases in spending on the State Pension and on non-pensioner disability and incapacity benefits. The proportion of GDP devoted to the State Pension has risen by 1.3 percentage points since 2007-08 to reach 5.0 per cent in 2024-25, and the proportion of GDP devoted to non-pensioner disability and incapacity benefits has risen by 0.9 percentage points. Meanwhile, the proportion devoted to non-disability and incapacity-related and non-housing support for children and working-age adults has fallen by 0.8 percentage points. This shift means non-pensioner disability and incapacity benefits now account for 46.5 per cent of non-pensioner benefit spending, up from 42.9 per cent in 2007-08, and the State Pension now accounts for 44.4 per cent of all social security spending, up from 36.9 per cent in 2007-08.[2]

But the relatively modest rise in total expenditure masks the fact that the social security system in Great Britain has undergone profound change since the Conservative-Liberal Democrat coalition government came to power in 2010. Large-scale structural reforms have fundamentally altered the system's rules and shape for working-age families; meanwhile, eligibility for working-age benefits has been cut back and entitlements not fully indexed in line with inflation, while support for pensioners has been bolstered.

1 We start our comparison in 2007-08 as the recession following the global financial crisis meant that social security spending increased between 2008-09 and 2012-13, making these years an unfair comparison with 2024-25 in terms of expenditure.
2 A forthcoming election briefing will explore the drivers behind the rising working-age disability and incapacity caseload in depth.

FIGURE 1: **Total social security expenditure as a proportion of GDP has risen slightly since before the financial crisis, driven by increases in the State Pension and disability and incapacity benefits**

Social security spending as a proportion of GDP, by category: GB



NOTES: Other non-pensioner spending includes Universal Credit, legacy benefits (Working Tax Credit, Child Tax Credit, Income Support, Jobseekers Allowance and Employment and Support Allowance), as well as other smaller benefits such as Bereavement benefits and Christmas bonus. Housing benefits – which covers pensioners and non-pensioners - includes the Universal Credit housing element. Disability and incapacity spending includes disability benefits devolved to the Scottish Government.
SOURCE: RF analysis of DWP, Benefit expenditure and caseload tables, Spring Budget 2024; Scottish Fiscal Commission, Scotland's Economic and Fiscal Forecasts, various.

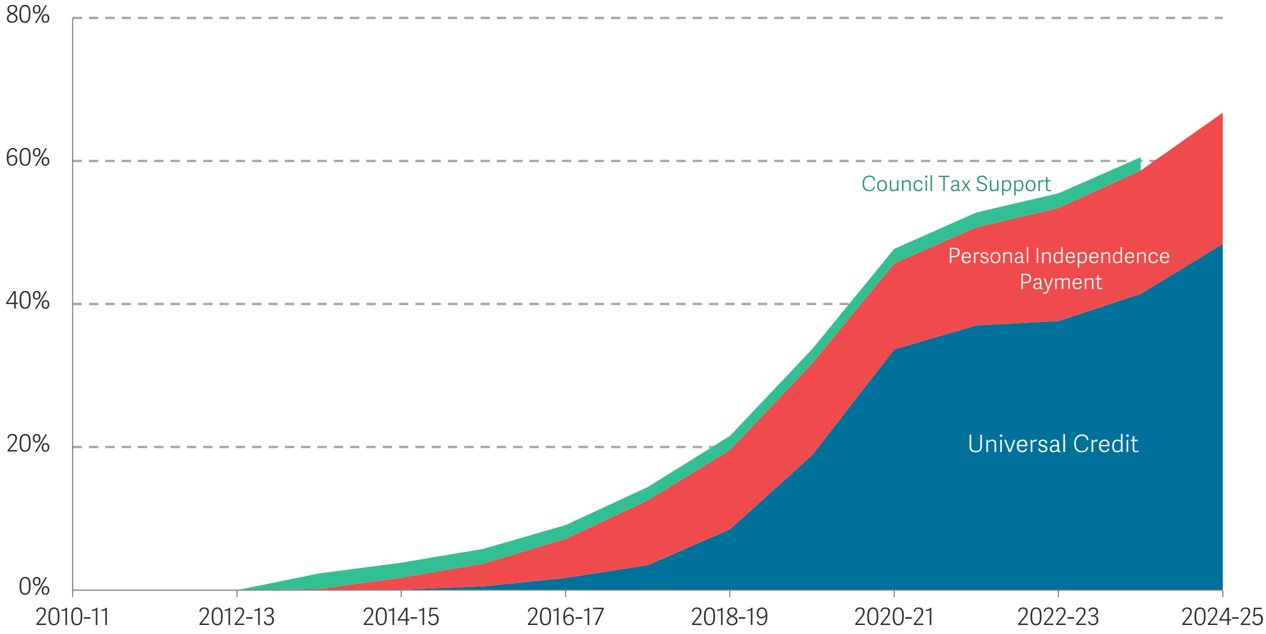
In this note, we first identify some of the key changes to the social security system over the last 14 years, focusing on benefits for children and working-age; a companion paper looks at disability and incapacity benefits in more detail. We then go on to the impact this has had on the people that rely on its support, and the issues that the next government will encounter in shaping social security policy.

Change #1: Social security has seen a huge amount of structural reform since 2010

Although the headline levels of spending have changed little (as per Figure 1), the last 14 years have been a period of unprecedented structural change to the social security system, particularly for the non-pensioner benefits. As a result, 67 per cent of non-pensioner social security spending in 2024-25 will go on benefits that didn't exist in 2010 (Figure 2) - rising to 76 per cent by the end of the next parliament.

FIGURE 2: **Two-thirds of non-pensioner benefits expenditure now goes on benefits that did not exist in 2010**

New benefits as a proportion of non-pensioner benefits expenditure: GB



NOTES: Council Tax Support data is for England only and is not available for 2024-25.
SOURCE: DWP, Benefit expenditure and caseload tables, Spring Budget 2024; OBR Economic and Fiscal Outlook; Local Authority revenue expenditure and financing England.

These changes are dominated by the introduction of Universal Credit, the most ambitious and wide-ranging benefit reform in a generation, which rolled six means-tested working-age benefits into a single payment and application system, inevitably changing benefit entitlements for millions of claimants, as well as how they interact with the system (see Box 1). But Universal Credit is just the most visible of a number of sweeping reforms and brand-new benefits. Disability Living Allowance (DLA), the main working-age benefit to cover disability costs, has been replaced with Personal Independence Payment (PIP) (see Box 2); a means-test has been introduced to the previously universal Child Benefit (see Box 4); the national Council Tax Benefit has been replaced with localised Council Tax Support schemes;[3] and new benefits to help with the costs of disability and children have been introduced in Scotland.[4]

3 W Wilson & P Loft, Council Tax Reduction Schemes, House of Commons Library, August 2020.
4 A Mackley & R McInnes, 'Social Security Powers in the UK', House of Commons Library, November 2020.

BOX 1: Universal Credit has been the biggest reform to working-age benefits since 1988

Universal Credit, announced in 2010 and rolled out from 2013 onwards, represents the widest-ranging and most ambitious benefit reform in a generation.[5] It was designed in a bid to simplify working-age benefit support and to boost work incentives. The rollout of Universal Credit initially covered new claims and those with changes of circumstances, but full-scale 'managed migration' of legacy benefit claimants to Universal Credit began in April 2023 and is expected to be completed by the end of 2025.

Before Universal Credit was introduced, the main system of working-age means-tested benefit support was made up of six benefits: Jobseekers Allowance (JSA), Employment and Support Allowance (ESA), Income Support, Housing Benefit, Child Tax Credit, and Working Tax Credit. These benefits were designed to cover specific needs, such as unemployment, inability to work due to ill-health, disability or caring needs, support with rent, support for children, and support for those in low-paid work. This meant that eligibility for the different benefits overlapped; many families needed to claim more than one at a time, and would need to claim different benefits as their circumstances changed. The Universal Credit reform was motivated by the related ideas that this system was too complex, and was actively preventing people from moving into work. The key element of the reform was to create a new benefit that rolled the six existing 'legacy' benefits into one single application and payment for working-age families.

This reform changed benefit entitlements for millions of families, creating winners and losers. Among the biggest winners are working renters, who no longer suffer from the withdrawal rates for Working Tax Credit and Housing Benefit being applied simultaneously, and those working short hours who were not eligible for Working Tax Credit but are eligible for Universal Credit. The biggest losers from the introduction of Universal Credit have been single disabled people who were previously receiving a severe disability premium as part of a legacy benefit. Universal Credit abolished these premiums while raising the base level of support for incapacity, the result of which is that previous recipients of the severe disability premium are around £2,800 per year worse off on Universal Credit than they were on ESA.

5 This Box draws on: A Clegg, In Credit? Assessing where Universal Credit's long rollout has left the benefit system and the country, Resolution Foundation, April 2024, as well as the sources cited in that note.

BOX 2: **Personal Independence Payment (PIP)**

In 2013 Personal Independence Payment (PIP) replaced Disability Living Allowance (DLA), the main benefit for covering the additional costs of disability, for those aged between 16 years and State Pension Age. DLA had introduced support to those with lower-level requirements in addition to higher rates for those with more severe disabilities; PIP explicitly recognised that those with mental health issues and learning difficulties were also in need of support.

PIP differs from DLA in a number of key ways: the assessment is less condition- and more functionality-focused (i.e. it considers what the claimant can and cannot do); there is no automatic entitlement for people with particular conditions (although DLA rules for people with a terminal illness were carried over); and all PIP awards are subject to periodic review.[6] In 2022, the Scottish Government took over responsibility for disability benefits and introduced the Adult Disability Payment in PIP's stead in that nation.[7]

Change #2: The long-standing principle to annually uprate working-age benefits in line with inflation has been undermined

A second major change to social security policy since 2010 has been a break from the principle that working-age benefits should be automatically increased each year in line with inflation. The impact of this can be seen in Figure 3: after three years where benefits were increased at just 1 per cent a year (2013-14 to 2015-16), and four years where benefits were not increased at all (2016-17 to 2019-20), the level of core benefits at the beginning of 2020 was only 11.8 per cent higher than in 2010, even though CPI had risen by a cumulative 21.3 per cent. Much to the Government's credit, though, benefits were increased in line with decades-high inflation levels through the cost of living crisis, despite political pressure for below-inflation uprating. However, the combined impact over the 14 years has been a real-terms cut of 7.6 percent in the value of most working-age benefits (see Figure 4).

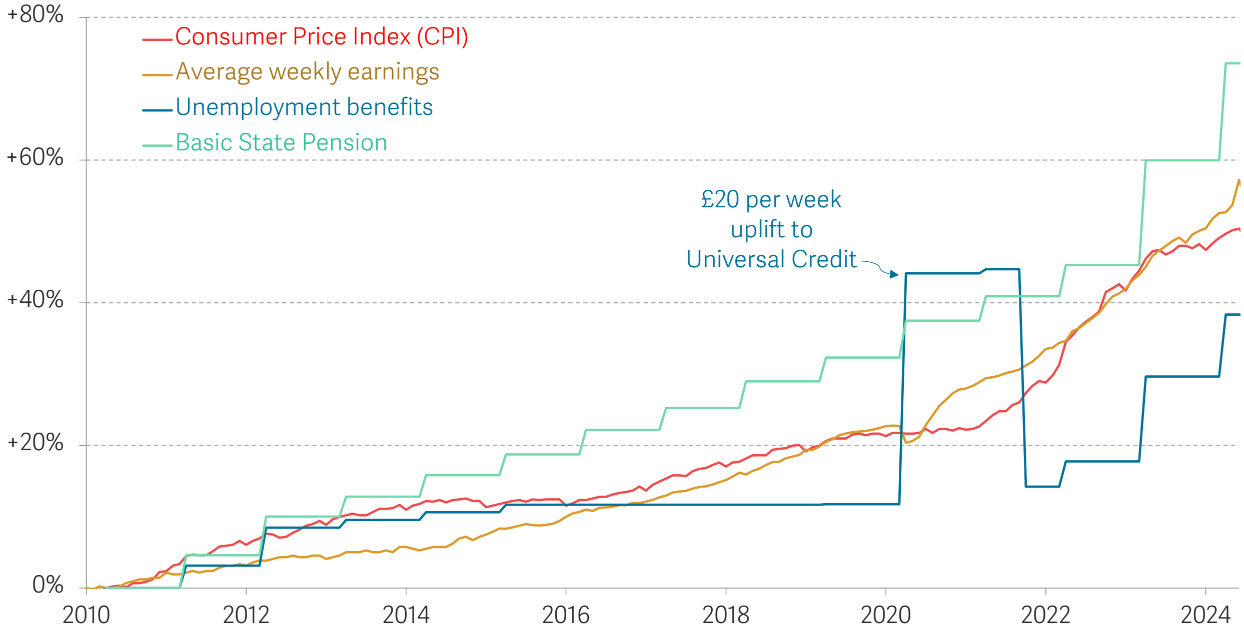
The recent period of high inflation has also highlighted the problem with our lagged approach to uprating (where benefits are increased in April by the previous September's CPI). Because of this, the real value of unemployment benefits fell by more over the course of 2022-23 (-6.9 per cent) than it did between April 2015 and March 2020 (-6.8 per cent), despite benefits being frozen in nominal terms for the entirety of this period.

6 S Kennedy, Introduction of Personal Independence Payment, House of Commons Library, June 2015.
7 Scottish Government, Adult Disability Payment launch dates announced, December 2021.

Future governments should consider using a value of inflation that is more timely, and consider uprating benefits more than once a year in periods of very high inflation.

FIGURE 3: **There has been no stable settlement for uprating working-age benefits over the last fourteen years**

Change in the value of unemployment benefits, the Consumer Price Index, the Basic State Pension, and average weekly earnings since 2010: UK



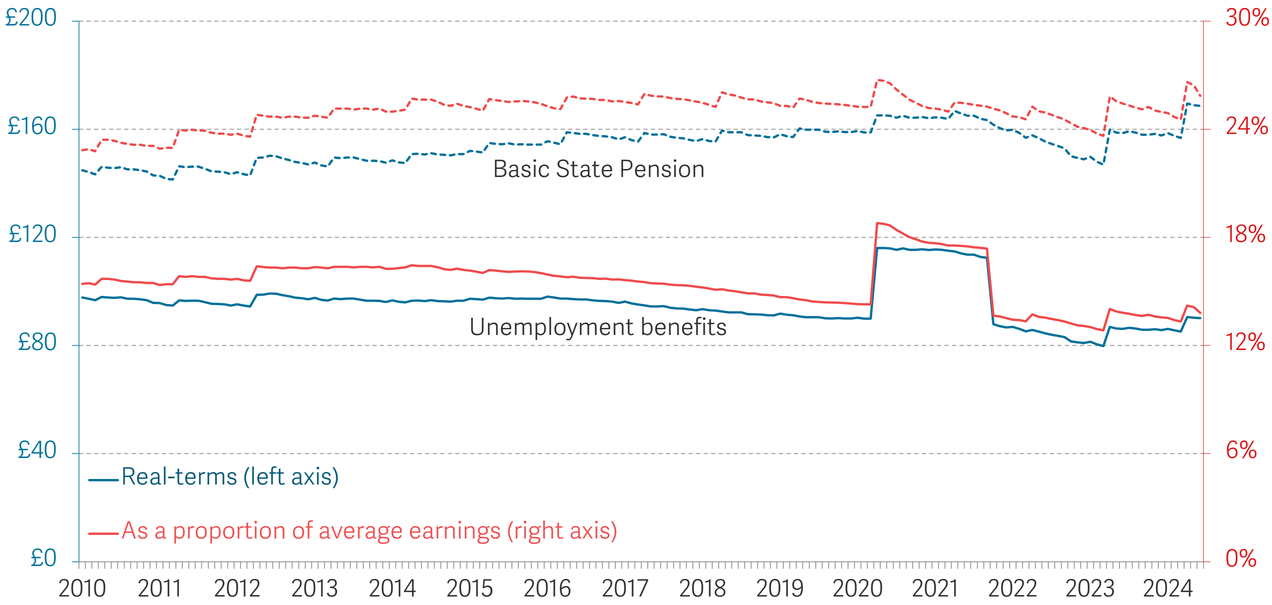
NOTES: Unemployment benefits shows Jobseeker's Allowance or Universal Credit for a single adult over 25.
SOURCE: Analysis of ONS, Average Weekly Earnings; DWP, Abstract of Benefit Statistics.

In contrast, the approach taken to uprating pension-age benefits has been robust: the triple lock, introduced in 2010, has ensured that the State Pension has risen each year by the greatest of CPI, growth in average earnings, or 2.5 per cent (except in 2022-23, when the operation of the furlough scheme meant that estimates of growth in average earnings were severely distorted), while the means-tested Pension Credit has increased in line with earnings for the majority of the period. As a result, the value of the State Pension has risen by 73.6 per cent over the 14 years since 2010, compared with a cumulative growth in prices of 50.4 per cent and earnings of 57.2 per cent.

This can also be seen in Figure 4, which shows that between April 2010 and April 2024, the value of basic unemployment support has fallen by 7.6 per cent in real terms, while the value of the State Pension has risen by 16.0 per cent. Our basic unemployment benefit is now worth 13.8 per cent of average earnings, down from 15.7 per cent in 2010, while the State Pension has risen from 23.4 per cent to 25.9 per cent of average earnings.

FIGURE 4: **The value of unemployment support has declined relative to earnings and in real terms since 2010**

Unemployment benefits in real-terms and as a share of Average Weekly Earnings, 2024-25 prices: UK



NOTES: Shows the basic rate of unemployment support for a single adult on Jobseekers Allowance/ Universal Credit. Converted to real terms using a CPI deflator.
SOURCE: Analysis of ONS, Average Weekly Earnings; DWP, Abstract of Benefit Statistics.

This comes in the context of the UK already having very low levels of unemployment support by international standards. The UK had the third-lowest income replacement rates in the OECD for a single person on the average wage in both 2010 and 2022, but this replacement rate has fallen from 19 percentage points below the OECD average in 2010 to 24 percentage points below in 2022 (Figure 5). The replacement rate for a lone parent with two children is slightly better, but still the fifth-lowest and 14 percentage points below the OECD average in 2022. This is a result of the UK's low, flat-rate unemployment support model, which contrasts with the two-tier models found in many northern European countries, which typically feature higher, time-limited support at a proportion of previous earnings, and lower-level support for those unemployed for longer periods.[8]

8 M Brewer & L Murphy, From safety net to springboard: Designing an unemployment insurance scheme to protect living standards and boost economic dynamism, Resolution Foundation, September 2023.

FIGURE 5: **The UK has the third-lowest replacement rate in the OECD for a single person on the average wage**

Net replacement rates for the first month of unemployment for different family types, 2022: OECD countries

NOTES: Replacement rates shown are for the first month of unemployment and include social assistance and housing benefits.
SOURCE: OECD, Net replacement rate in unemployment.

Change #3: Conditionality has been extended, and now includes workers

Alongside these significant changes in the value of support, the period has seen changes in the rules that claimants must follow as a condition of benefit receipt. Receipt of out-of-work benefits has been conditioned on claimants taking steps to look for work and accept suitable job offers since the mid-1990s, but recent years have seen conditionality become stricter, with unemployed claimants now required to spend up to 35 hours per week searching for jobs, and to accept any job offer within a 90-minute commute after the fourth week of claiming.

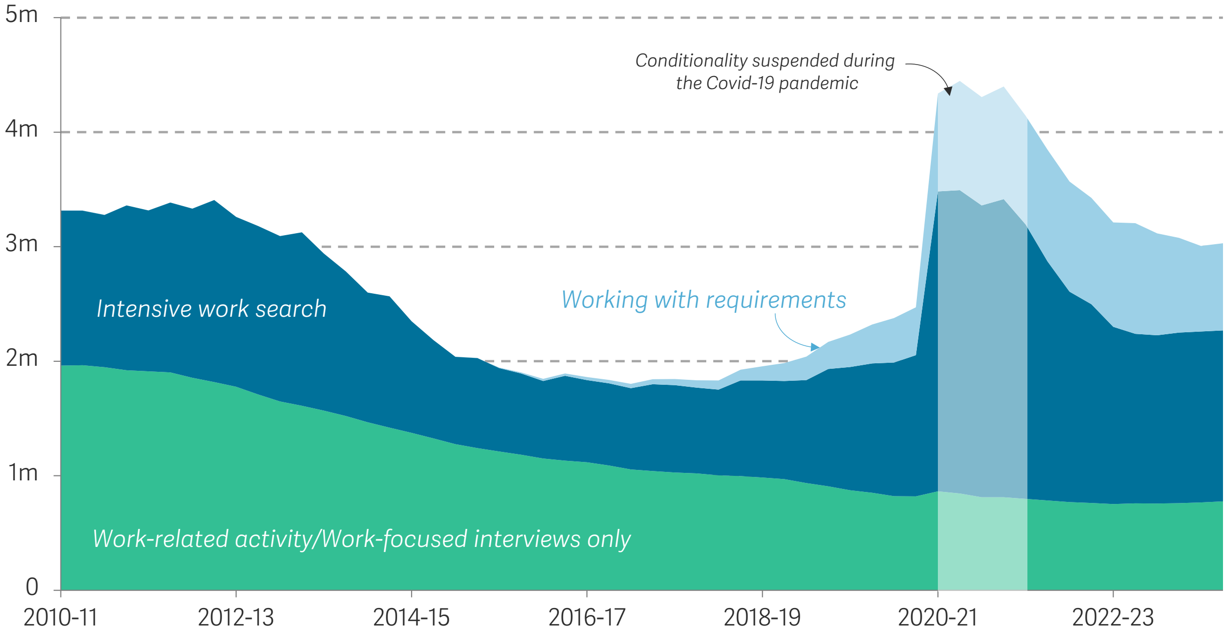
In addition to this rule tightening, the introduction of Universal Credit has meant a rise in the number of people subject to conditionality. There are two reasons for this. First, those receiving only Housing Benefit or Tax Credits were previously entitled to receive support without any work-search rules applied. Bringing those benefits under Universal Credit meant that Universal Credit's conditionality rules were now applied to those groups. Second, Universal Credit extends conditionality to some people in work. As a result, there were 3.0 million people subject to some form of conditionality in August 2023, including 760,000 people in work. In late 2016, before the Universal Credit rollout gathered pace, the total number was just 1.8 million. This number is set to continue to increase as Tax

Credit and Housing Benefit claimants migrate to Universal Credit in large numbers this year.

Claimants are placed into different conditionality regimes based on their earnings and the level of work they are expected to do. Those earning above their Conditionality Earnings Threshold (CET), typically the equivalent of 35 hours per week at the National Living Wage, have no conditionality applied; claimants earning above the Administrative Earnings Threshold (AET) - £892 per month for a single claimant and £1,437 per month for couples – and below the CET are placed in a light-touch 'working with requirements' group, meaning they are expected to try to earn more but are not subject to regular work-coach interviews; and those earning below the AET are placed in the 'intensive work search' group and are treated in the same way as unemployed people, meaning they are required to attend regular work-coach interviews and take action to secure more or better paid work. Claimants with limited capability for work due to a health condition or caring responsibility can be required to undertake work-related activity, such as basic skills and employability training, and/or undertake work-focused interviews with a work-coach to improve their chances of being able to work in the future.

FIGURE 6: **There are now more people subject to conditionality than in 2010, including workers for the first time**

Number of people in different conditionality groups: GB



NOTES: Shows people on Universal Credit and claimants of Jobseekers Allowance, Employment and Support Allowance, and Income Support. Lone parents receiving Income Support with a child under the age of one are not subject to conditionality, but appear here in the 'work-related activity/work-focused interviews' group as it is not possible to separate them in the data. All Jobseekers Allowance claimants are shown in the 'intensive work search' group; in reality a small number may not have this requirement due to their specific circumstances.
SOURCE: DWP, StatXplore.

Change #4: Policy has been devolved to national governments, and English local authorities have been given more responsibilities

A fourth major change to the social security system since 2010 has been the devolution of social security powers to Scotland and Wales, and the delegation of responsibilities for delivering localised support and discretionary schemes to local authorities.[9] These should be seen as two distinct phenomena: Scotland and Wales have largely sought and then welcomed the new powers granted to them, and have taken the opportunity to pursue diverging agendas for social security, while local authorities have been more mixed in their reactions to new obligations placed on them, largely due to significant funding pressures.[10]

Social security policy and expenditure was coordinated on a Great Britain-wide basis from the end of the Second World War until 2016, meaning its devolution is relatively new compared to other forms of social policy such as health, education and housing.[11] The Scotland Act 2016 granted Scotland the power to design and administer its own benefits for disability, caring and maternity, and to provide its own discretionary support. It also gave Scotland the power to top up any benefit, to create new benefits, and to vary the housing element and payment arrangements within Universal Credit. Scotland has since introduced mitigation for the benefit cap and the removal of the spare room subsidy (commonly referred to as the 'bedroom tax') through automatic eligibility for Discretionary Housing Payments for affected households, and has given Universal Credit recipients the choice of being paid twice rather than once monthly and of having their housing element paid directly to their landlord. The Scottish Government has also replaced PIP with the Adult Disability Payment, although this currently operates in much the same way as PIP.

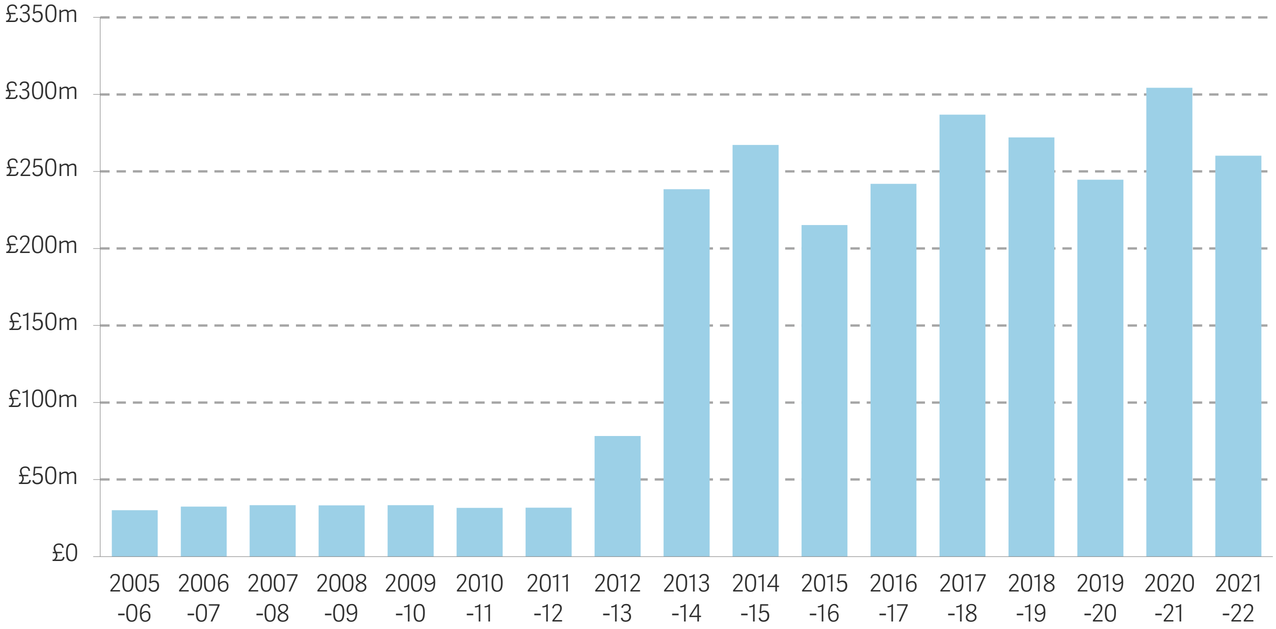
At the local authority level, the period since 2010 has seen a significant extension of responsibility for delivering discretionary support. This has partly resulted from the need to offset the rapidly declining real value of national benefits, sometimes explicitly so. For example, expenditure on Discretionary Housing Payments increased more than seven-fold in real terms between 2010-11 and 2013-14 (from £32 million per year to £238 million),[12] which the Government made clear at the time was to partially offset the multiple recent benefit reforms that had reduced housing entitlement (such as the reduction in the Local Housing Allowance and the introductions of the benefit cap and the 'bedroom tax').[13] And research on local welfare assistance – discretionary support designed to provide immediate support in the event of a crisis situation that the mainstream benefit system

9 Social security is entirely devolved in Northern Ireland.
10 K Handscomb, Sticking plasters: An assessment of discretionary welfare support, Resolution Foundation, October 2022.
11 A Mackley & R McInnes, Social Security Powers in the UK, House of Commons Library, November 2020.
12 K Handscomb, Sticking plasters: An assessment of discretionary welfare support, Resolution Foundation, October 2022.
13 W Wilson & P Loft, Discretionary Housing Payments, Briefing Paper 6899, House of Commons Library, August 2020.

cannot be expected to anticipate – has found that the most common reason that local authorities grant support is that residents simply have insufficient income to meet their standard costs.[14]

FIGURE 7: **Discretionary Housing Support has increased significantly since 2011-12**

Spending on Discretionary Housing Payments, 2024-25 prices: GB



NOTES: Includes UK Government, local authority and devolved nation spending. Converted to real terms using a CPI deflator. This chart first appeared in K Handscomb, Sticking plasters: An assessment of discretionary welfare support, Resolution Foundation, October 2022.
SOURCE: RF analysis of DWP and Scottish Government data.

The other major localisation of social security has been the devolution in 2012 of the national Council Tax Benefit to localised Council Tax Support for working-age households, at the local authority level in England and the national level in Scotland and Wales. English councils were given the requirement to design and administer their own Council Tax Support schemes at the same time as total funding was cut by 10 per cent. As a result of this, many councils have reduced the maximum amount of support available. Around 70 per cent of Council Tax Support schemes last year required non-disabled working-age recipients to make some form of minimum payment towards their Council Tax, whereas the old Council Tax Benefit provided discount of up to 100 per cent of the Council Tax bill.[15]

14 Z Charlesworth & A Clegg, Evaluation of Local Welfare Assistance: report to the London Councils and GLA, Policy in Practice, January 2023.
15 Entitled To, Review of Council Tax Reduction Schemes in 2023/24, May 2023.

The changes to social security since 2010 can be seen in three distinct periods, each with a different focus and different impacts on family incomes

We now turn to assess how changes since 2010 have impacted incomes. The impacts on non-pensioner incomes can be understood in more detail by focusing on three distinct periods, each with a different focus of reforms and with different impacts: 2010 to 2015, 2015 to 2019, and 2019 to 2024. In contrast, the story for pensioners is much simpler, dominated by the introduction of the triple lock and the new State Pension, and protection from the cuts that hit non-pensioner support.

BOX 3: **Microsimulation modelling of the benefit system since 2010**

The distributional analysis of income changes due to social security changes since 2010 was carried out using the DWP's Family Resources Survey and the IPPR tax-benefit model. We took the benefit systems that existed in 2010-11, 2015-16, 2019-20 and 2024-25, and uprated to 2024-25 prices, with the aim of representing each iteration of the system as if no further policy changes had been made. This involves a number of assumptions to be made as to how best to represent 'no change':

- Each benefit parameter was uprated based on standard uprating conventions (e.g. the previous September's CPI for most non-pensioner benefits; average earnings for pensions in 2010; and the triple lock for pensions thereafter).
- The savings threshold of £16,000 was not uprated, as it never has been since its introduction. However, the benefit cap was uprated by CPI in each scenario to represent its declining value over time, which has had a significant effect on the number of households it impacts. While benefit cap uprating is not standard practice, its value has changed a few times over the period.
- Changes are represented as they occurred, rather than when they were announced. This means that the majority of the impact of the rollouts of Universal Credit and the two-child limit are shown between 2019-20 and 2024-25, rather than in 2013 and 2017 when they were first introduced.
- For consistency, income vigintiles shown in Figures 8 to 12 represent people organised into vigintiles based on equivalised household income under the 2024-25 benefit system.
- Economic assumptions and the parameters for the tax system are fixed at those in 2024-25 throughout the analysis, so that only the impacts

of social security policy changes are shown.

- Changes to social security in Scotland are not modelled.
- The change from RPI to CPI to uprate benefits was excluded.

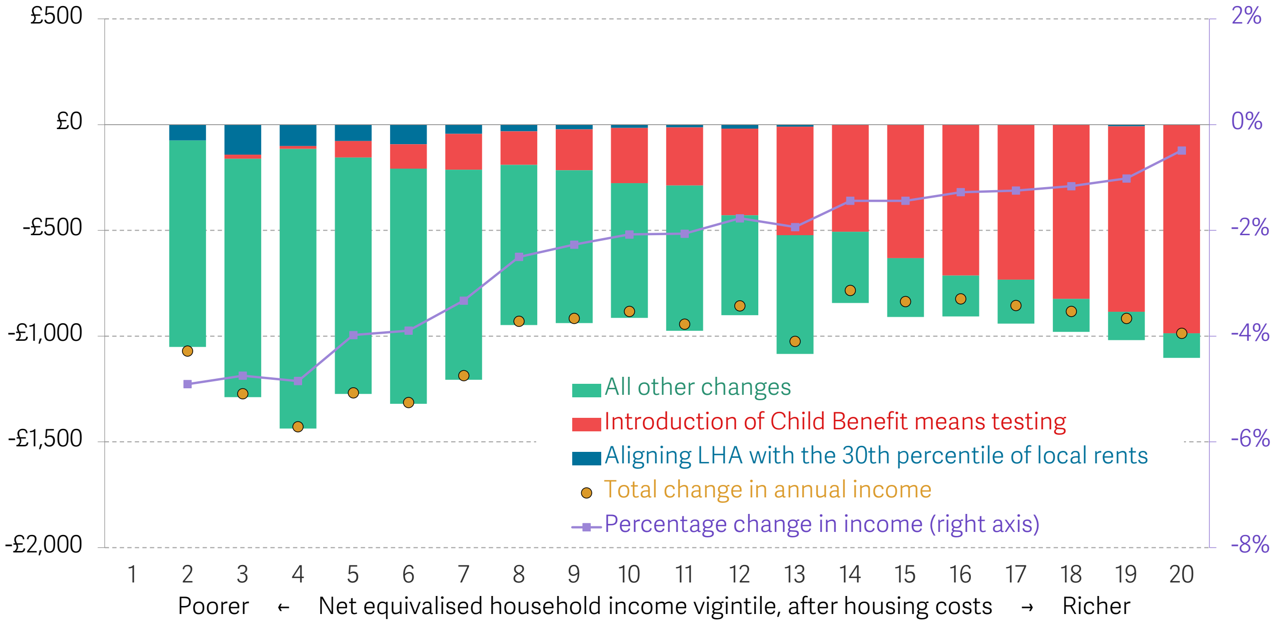
2010 to 2015: scaling back New Labour's reforms and cutting needs-based support

When the Conservative-Liberal Democrat coalition government came to power in 2010, the initial targets for social security reform were to control expenditure by reversing the extension of benefit eligibility to middle- and higher-income families that had occurred under the previous Labour government, as well as clawing back some of the increased support that had been directed towards larger families with higher needs. This was done through a number of policy measures: the introduction of means-testing within Child Benefit; the removal of eligibility for the Child Tax Credit family element for higher income families; the reduction in the Local Housing Allowance from the 50th to the 30th percentile of local rents; and the introduction of the benefit cap, which limited the overall amount of benefit support that a family could receive. This period also saw the announcement of Universal Credit, but the scale of this reform required a long rollout time, meaning its impact on incomes were not felt until later.

As Figure 8 shows, these changes led to income losses for working-age households across the income distribution that were fairly even (in cash terms): richer families lost Child Benefit and Child Tax Credit, and poorer families lost out from three years of below-inflation uprating, cuts to housing support, and the implementation of the benefit cap. When considered as a percentage of income, though, the changes were clearly regressive, with the poorest fifth losing 5.9 per cent of income and the richest fifth losing only 0.8 per cent.

FIGURE 8: **Working-age social security changes from 2010 to 2015 hit households across the income distribution**

Impact of permanent social security changes from 2010-11 to 2015-16 on working-age household income, 2024-25 prices: UK



NOTES: Scenarios modelled for 2010-11 and 2015-16 represent the social security system in that year, uprated to 2024-25 prices using standard uprating conventions. Vigintiles are organised on a per person basis using equivalised household income for working- and pension-age households in 2024-25. The total change does not sum all the grouped changes due to interaction effects. See Box 4 for detailed modelling assumptions. The bottom vigintile is excluded due to concerns with data reliability for this group.
SOURCE: RF analysis of DWP, Family Resources Survey using the IPPR tax-benefit model.

BOX 4: **Means-testing Child Benefit**

Since 2013, Child Benefit is withdrawn from higher-income families through the High-Income Child Benefit Charge (HICBC). This initially affected any family where one person receives Child Benefit and (at least) one person has a gross income above £50,000 per year; those with incomes above £60,000 had their Child Benefit completely offset by the HICBC, and those with incomes between £50,000 and £60,000 effectively lost a proportion of the Child Benefit on a sliding scale. In the Spring Budget of 2024, the Government announced that these thresholds would rise to £60,000 and £80,000 respectively, which was implemented from April 2024, the first time they had been changed since their introduction.

This reform has had two impacts. First, it means that those with incomes between £60,000 and £80,000 face a marginal deduction rate of 49 per cent if they have one child (40 per cent from Income Tax, 2 per cent from National Insurance contributions and 7 per cent from the HICBC), 53 per cent if they have two children and 58 per cent if they have three children.

Second, the reform has led some parents to avoid claiming Child Benefit at all. Estimated take-up rates of Child Benefit are now 90 per cent; they were close to 100 per cent before 2013. [16]

There is nothing inherently wrong in focusing Child Benefit on families that need it most. The actual mechanism chosen for doing so, though, can be criticised on several grounds. First, the withdrawal creates an inequity between single-earner and dual-earner families (because the withdrawal is based on the higher income of the adults in a family, and not the combined income, so two adults each earning £60,000 could receive full Child Benefit). Second, the fact that the two thresholds were fixed in nominal terms from 2013 to 2024 meant that many more families are seeing Child Benefit withdrawn now than was the case when the measure first came in (freezing the thresholds also meant that the marginal deduction rates of affected families rose slightly, as the value of Child Benefit rose in nominal terms). Although the recent change alleviates this problem, the fact that thresholds are frozen means that it is likely to reoccur during the next Parliament. Third, the fact that the HICBC thresholds have been frozen while Universal Credit has risen in nominal terms means Universal Credit eligibility can now extend to families with incomes above the lower HICBC threshold. This creates extremely high MDRs for these families, as an increase in earnings means they lose entitlement to UC and to Child Benefit.[17]

The Conservative Party has pledged to raise the thresholds between which Child Benefit is withdrawn to £120,000 and £160,000 and to assess them based on household rather than individual incomes. They estimate this will cost £1.3 billion per year by 2029-30 and benefit 700,000 families. A move to assessing on the joint income of a couple, while fairer, would bring an administrative challenge as it would involve HMRC collecting information it does not currently have.

2015 to 2019: broad-based freezes to working-age benefit levels hit the incomes of the poorest families hard

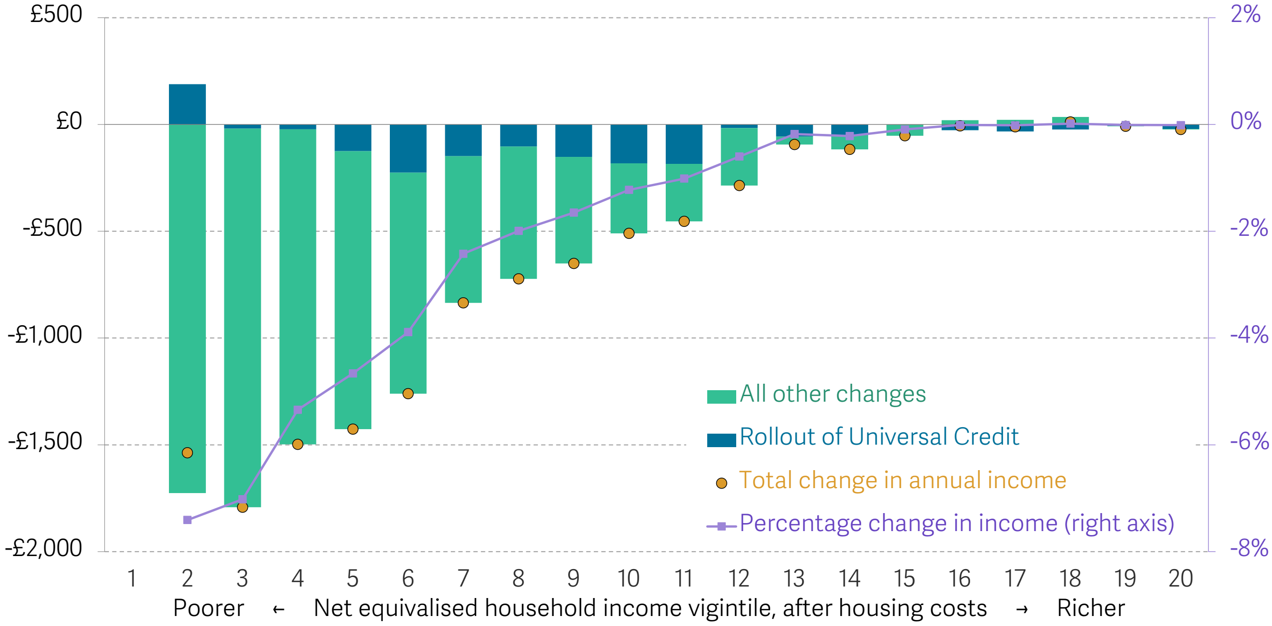
In the Summer Budget of 2015, chancellor George Osborne announced a four-year freeze of most working-age benefit levels, as well as introducing the two-child limit from 2017 and removing the additional element for those in the ESA Work-Related Activity Group. In addition, it was announced that the earnings thresholds at which Tax Credits and Universal Credit start to be withdrawn was to be reduced, although this was subsequently cancelled for Tax Credits.

16 HMRC, Child Benefit Statistics: annual release, data at August 2023, April 2024.
17 M Brewer, K Handscomb & G Kelly, Inconsistent Incentives: How the overlap between Universal Credit and the High Income Child Benefit Charge limits work incentives, Resolution Foundation, December 2022.

As Figure 9 shows, these reforms had a drastic effect on the incomes of the poorest households. Non-pensioners in the poorest fifth of the income distribution lost an average of £1,600 per year in household income by 2019 (in 2024-25 prices), while those in the second fifth lost an average of £1,100 per year; in proportional terms, these losses amount to 8.6 per cent and 3.2 per cent of their income respectively.

FIGURE 9: **Social security changes from 2015-2019 had a severe and regressive impact on working-age household income**

Impact of social security changes from 2015-16 to 2019-20 on working-age household income, 2024-25 prices: UK



NOTES: Scenarios modelled for 2015-16 and 2019-20 represent the social security system in that year, uprated to 2024-25 prices using standard uprating conventions. Vigintiles are organised on a per person basis using equivalised household income for working- and pension-age households in 2024-25. See Box 4 for detailed modelling assumptions. The bottom vigintile is excluded due to concerns with data reliability for this group.
SOURCE: RF analysis of DWP, Family Resources Survey using the IPPR tax-benefit model.

2019 to 2024: pandemic and cost of living measures protect low-income households

The most recent Parliament has seen a shift in approach. The benefits freeze was ended as planned in April 2020, when benefits were uprated for the first time in five years, and the Government has continued to enact the standard uprating of working-age benefits in each year since, despite a period of decades-high inflation. In addition, the basic rates of Universal Credit and Working Tax Credit were increased by £20 per week between April 2020 and October 2021 (at a total cost of £11 billion in 2024-25 prices), a measure which significantly helped claimants of those benefits cope with the financial pressures of the pandemic,[18] and flat-rate Cost of Living Payments were made to households claiming means-tested or disability benefits in 2022-23 and 2023-24 (at a total cost of £19 billion in 2024-25 prices).[19]

Outside of these temporary measures, the period since 2019 has seen fewer major social security reforms than the years of upheaval that came before it. Changes to household incomes since 2019 from the social security system have been largely driven by previously announced policies rolling out in earnest. The most important of these is Universal Credit which, following the closure of new claims for legacy benefits in February 2019 and a spike in new claims at the start of the pandemic, saw its caseload rise from 1.6 million to 5.6 million households by February 2024.[20] The impact of the two-child limit – which affects families with children born after April 2017 – has also ramped up: in April 2019, 161,000 households claiming Child Tax Credit or Universal Credit were affected by the policy; this rose to 422,000 households by April 2023 (the latest date for which official estimates are available).[21]

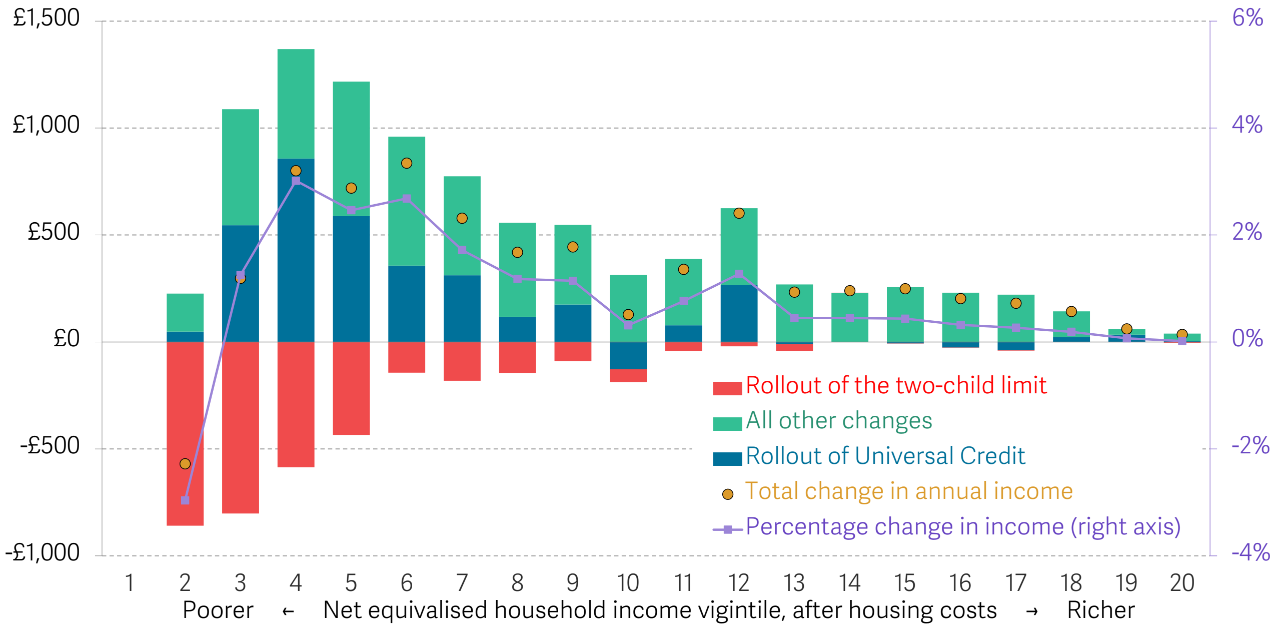
Finally, the Government also made deliberate changes that have boosted support for low-income workers on Universal Credit, by cutting the rate at which UC is withdrawn as income rises (from 63 per cent to 55 per cent), and work allowances were increased (though not to the level they were at in 2015).

As Figure 10 shows, these changes have largely boosted the incomes of households in the bottom half of the distribution, and, considered as a percentage of income, the changes are broadly progressive; however, the maturation of the two-child limit has led to falls in the income of some of the poorest households.

18 N Winchester, Universal Credit: an end to the uplift, House of Lords Library, September 2021.
19 A Mackley, S Kennedy & F Hobson, Cost of Living Payments: Overview and FAQs, House of Commons Library, January 2024.
20 A Clegg, In credit? Assessing where Universal Credit's long rollout has left the benefit system and the country, Resolution Foundation, April 2024.
21 DWP, Universal Credit and Child Tax Credit claimants: statistics related to the policy to provide support for a maximum of two children, April 2023.

FIGURE 10: **Policy measures since 2019 have boosted incomes for working-age households in the bottom half, but have not fully reversed the impacts of previous cuts**

Impact of permanent social security changes from 2019-20 to 2024-25 on working-age household income, 2024-25 prices: UK

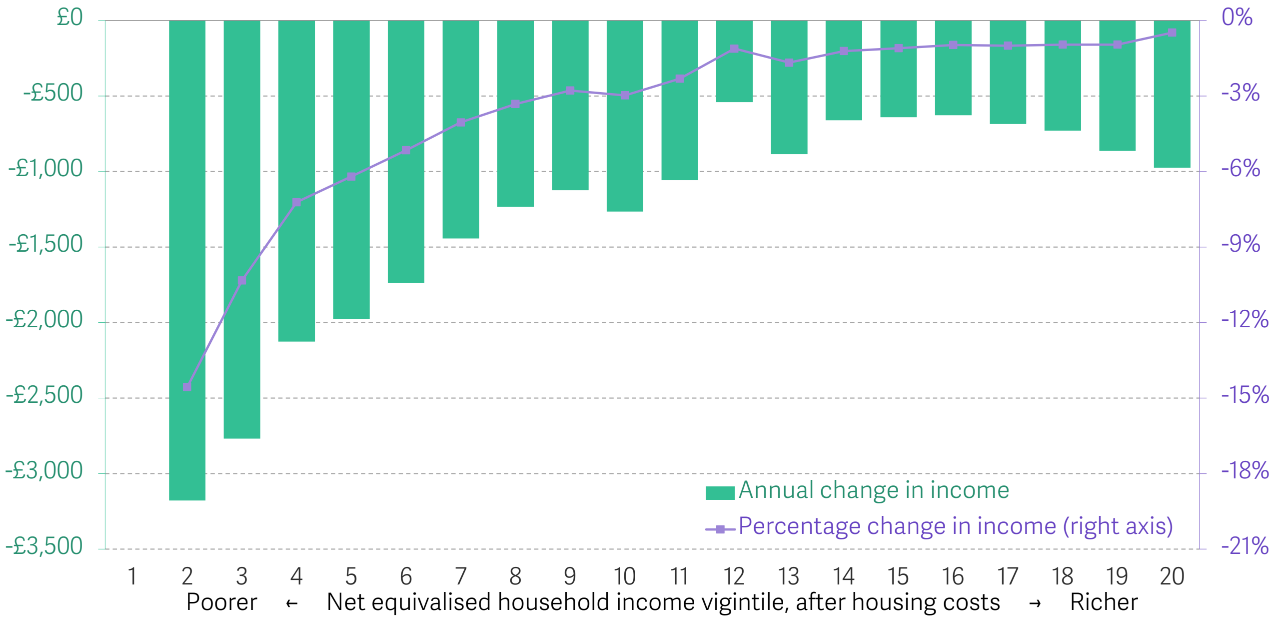


NOTES: Scenarios modelled for 2019-20 and 2024-25 represent the social security system in that year, uprated to 2024-25 prices using standard uprating conventions. Vigintiles are organised on a per person basis using equivalised household income for working- and pension-age households in 2024-25. Does not show the impact of the LHA freeze from 2020-21 to 2024-25, as LHA rates were reset to the 30th percentile of local rents in April 2024. See Box 4 for detailed modelling assumptions. The bottom vigintile is excluded due to concerns with data reliability for this group.
SOURCE: RF analysis of DWP, Family Resources Survey using the IPPR tax-benefit model.

Finally, we consider the combined impact of all the changes since 2010. Importantly, the gains from reforms since 2019 have not offset the losses that working-age households have incurred from social security changes since 2010. As Figure 11 shows, the impact of all social security changes since 2010 on working-age household incomes has been strongly negative, and households in the bottom fifth of the income distribution have lost an average of £2,800 per year. The changes are equivalent to the poorest fifth losing 14 per cent of their income and the richest fifth losing only 0.7 per cent.

FIGURE 11: **Altogether, permanent social security changes since 2010 have had a negative and regressive impact on household incomes for working-age households**

Impact of social security changes since 2010 on working-age household income, 2024-25 prices: UK



NOTES: Scenarios modelled for 2010-21 and 2024-25 represent the social security system in that year, uprated to 2024-25 prices using standard uprating conventions. Vigintiles are organised on a per person basis using equivalised household income for working- and pension-age households in 2024-25. Does not show the impact of the LHA freezes from 2016 to 2020 and 2020 to 2024, as LHA rates were reset to the 30th percentile of local rents in April 2024. The bottom vigintile is excluded due to concerns with data reliability for this group.
SOURCE: RF analysis of DWP, Family Resources Survey using the IPPR tax-benefit model.

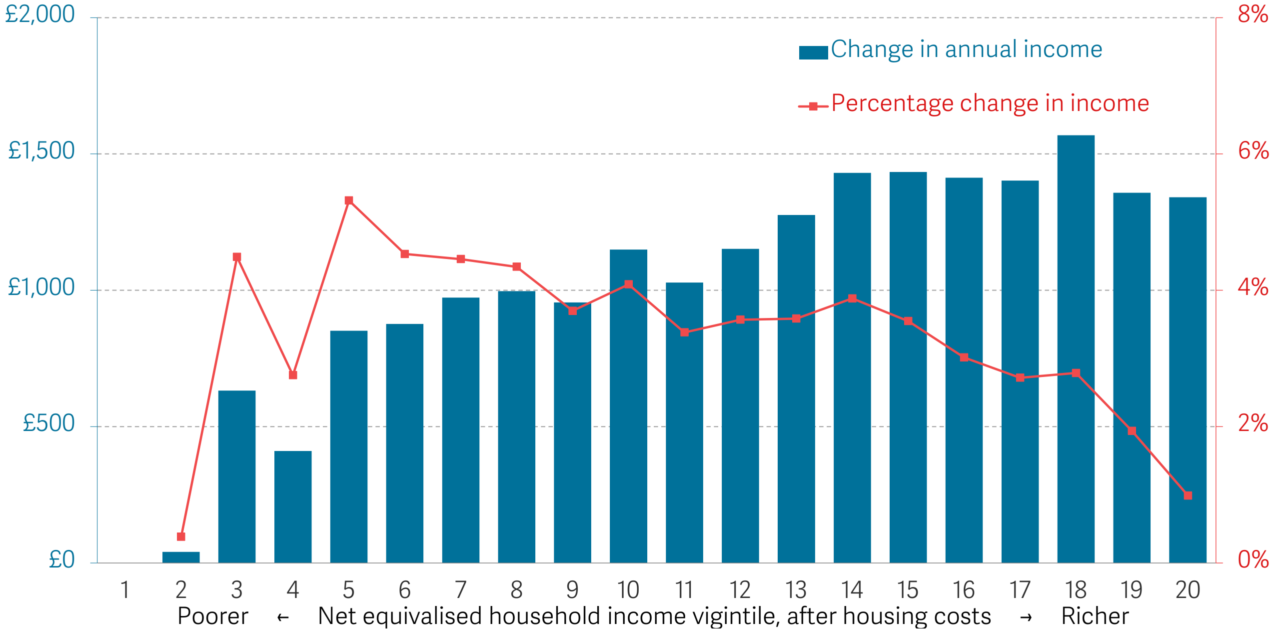
Changes for pensioners since 2010 have boosted incomes across the distribution

In stark contrast to the volatility and reductions in support that have characterised working-age benefit policy, changes to pension-age social security over the last fourteen years have been consistent in boosting incomes across the distribution and have protected the security of support over time. The triple lock was introduced in 2010, going beyond a commitment from the previous Labour Government to link the state pension to earnings, and the ratchet effect behind the triple lock has ensured that the State Pension has increased faster than both average earnings and inflation over time, as we discuss later. In addition, the new State Pension was introduced in April 2016 for people reaching pension age from that date (i.e. men born after April 1951 and women born after April 1953), introducing a single tier of support at a higher rate than the old Basic State Pension. And the means-tested Pension Credit was uprated by average earnings each year for the majority of the period, ensuring a robust income floor for pensioners.

Indeed, the only social security changes in the last fourteen years that have reduced the income of pensioners come from the change in 2019 that meant that couples where only one is over the State Pension age must claim Universal Credit rather than the much more generous Pension Credit, and from cuts to Local Housing Allowance, which have affected renters of all ages. As Figure 12 shows, such changes have limited the gains from the triple lock and new State Pension for the very poorest pensioners, but otherwise the gains in cash terms have been consistent across the rest of the distribution. As a percentage of income, the changes have been broadly progressive, equivalent to the poorest fifth gaining 4.1 per cent of income and the richest fifth gaining 1.9 per cent.

FIGURE 12: **Altogether, permanent social security changes since 2010 have boosted pensioner incomes across the distribution**

Impact of social security changes since 2010 on pension-age household income, 2024-25 prices: UK



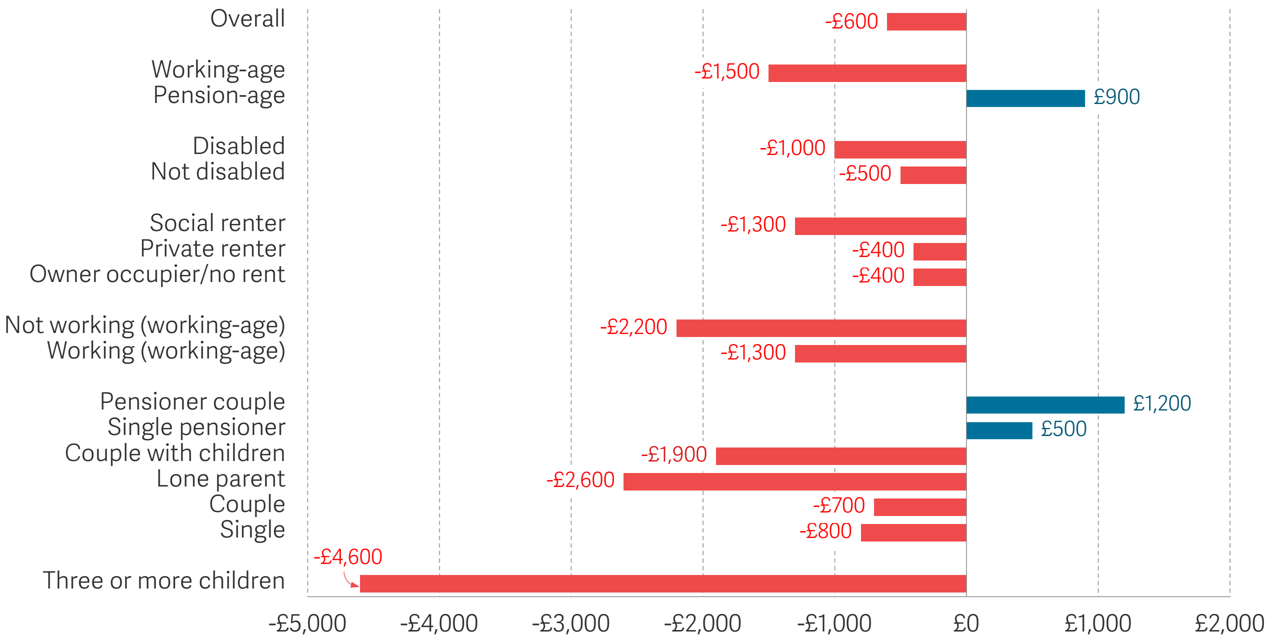
NOTES: Scenarios modelled for 2010-11 and 2024-25 represent the social security system in that year, uprated to 2024-25 prices using standard uprating conventions. Vigintiles are organised on a per person basis using equivalised household income for working- and pension-age households in 2024-25. Does not show the impact of the LHA freezes from 2016 to 2020 and 2020 to 2024, as LHA rates were reset to the 30th percentile of local rents in April 2024. The bottom vigintile is excluded due to concerns with data reliability for this group.
SOURCE: RF analysis of DWP, Family Resources Survey using the IPPR tax-benefit model.

Households with children are the biggest losers from changes since 2010, while pensioners are the biggest winners

Changes since 2010 have had different impacts on household incomes for different groups. Focusing on households receiving benefits (including the State Pension), all working-age household types have lost out – by an average of £1,500 per year – while pension-age households have gained £900 per year. Unsurprisingly, given the cuts to Child Tax Credit and Child Benefit, and the introduction of the two-child limit and the benefit cap; households with children have lost out the most from the changes. Couples with children receiving benefits have lost £1,900 per year, lone parents have lost £2,600 per year, and households with three or more children have lost out by an average of £4,600 per year.

FIGURE 13: **Households with children have lost the most from social security changes since 2010, while pensioners have gained**

Average annual change in household income for households receiving benefits in 2010 and/or 2024, due to permanent social security changes since 2010, 2024-25 prices, by various characteristics: UK



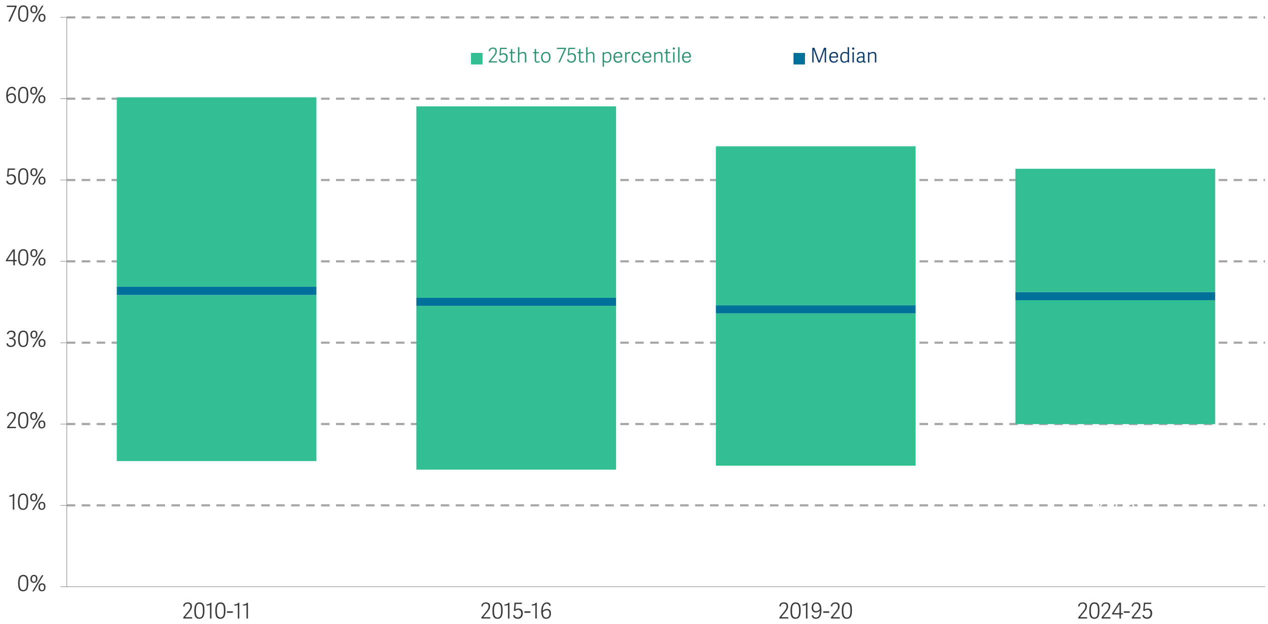
NOTES: Scenarios modelled for 2010-21 and 2024-25 represent the social security system in that year, uprated to 2024-25 prices using standard uprating conventions. Does not show the impact of the LHA freezes from 2016 to 2020 and 2020 to 2024, as LHA rates were reset to the 30th percentile of local rents in April 2024.
SOURCE: RF analysis of DWP, Family Resources Survey using the IPPR tax-benefit model.

In addition to controlling costs, the Government have cited increases in work incentives as a justification for cutting benefit levels. Benefit changes since 2010 have indeed strengthened financial work incentives for unemployed people, with cuts lowering the incomes people receive out of work and the introduction of Universal Credit increasing the incomes people can receive in work. Our previous work has shown that the introduction of Universal Credit narrowed the range of participation tax rates (PTRs, the total amount of earnings lost to tax and benefit withdrawal when someone enters work), by lessening the incidence of very high but also very low PTRs.[22] Figure 14 reflects this, but also shows that the median PTR has barely changed since 2010-11, suggesting that Universal Credit is having a greater effect on typical PTRs than reductions in the real value of unemployment support.

22 A Clegg, In Credit? Assessing where Universal Credit's long rollout has left the benefit system and the country, Resolution Foundation, April 2024.

FIGURE 14: **Financial work incentives have been strengthened due to benefit changes since 2010**

25th, 50th and 75th percentiles of participation tax rates for unemployed adults who enter work at 37.5 hours per week at the 2024-25 National Living Wage: UK



NOTES: Participation tax rates are shown for the benefit system in the year shown uprated to 2024-25 levels, and the 2024-25 tax system.
SOURCE: RF analysis of DWP, Family Resources Survey using the IPPR tax benefit model.

Of course, whether an unemployed person moves into work is driven by many other factors in addition to financial work incentives, but it is notable that the strongest growth in employment rates in the decade following the global financial crisis was concentrated in the lower half of the income distribution. Between 2009-10 and 2019-20, the employment rate rose by 6 percentage points for the bottom half, while not budging at all for the top half.[23]

The next government will inherit a system that contains two acknowledged upwards pressures

Total social security expenditure is forecast to increase in real terms by £21 billion by 2028-29 based on current policy and standard uprating conventions, meaning it is set to remain broadly flat as a proportion of GDP (11.2 per cent this year and 11.1 per cent in 2028-29). This is driven mainly by two key upwards pressures.[24]

First, 45 per cent of the forecast rise in expenditure comes from a real-terms rise of £9.5 billion in spending on the State Pension between 2024-25 and 2028-29 (although this will

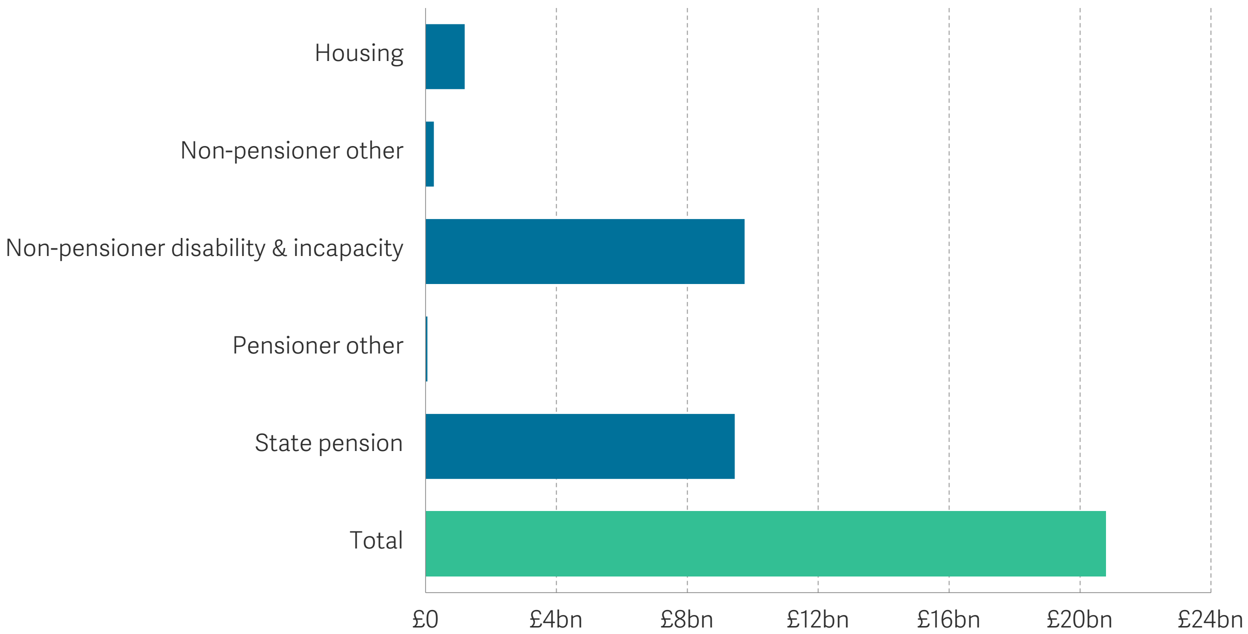
23 Resolution Foundation & Centre for Economic Performance, LSE, Ending Stagnation, a new economic strategy for Britain, Resolution Foundation, December 2023.
24 DWP, Benefit expenditure and caseload tables, Spring Budget 2024.

remain flat as a proportion of GDP at 4.9 per cent). This is the result of an expected 8.2 per cent increase in the number of pensioners, and a 3.6 per cent rise in the real value of the State Pension, thanks to the triple lock, which both main parties have already committed to keeping.

Second, spending on non-pensioner disability and incapacity benefits is forecast to increase by an extra £9.7 billion per year in real terms by 2028-29, accounting for a further 47 per cent of the total forecast increase in social security expenditure (equivalent to a rise from 2.1 per cent of GDP in 2024-25, to 2.3 per cent in 2028-29). This is driven by the expectation that the number of people awarded disability and incapacity benefits will continue on an upward trend, as well as by an expected increase in average disability benefit awards.[25] How this pressure is to be managed in the next parliament is far more contested than it is for the State Pension.

FIGURE 15: **Rising expenditure on disability and incapacity benefits and the State Pension is driving the increase in social security expenditure over the next parliament**

Forecast real-terms change in social security expenditure by category, 2024-25 to 2028-29, in 2024-25 prices: GB



NOTES: Converted to real terms using a GDP deflator.
SOURCE: RF analysis of DWP, Spring Statement 2024 Expenditure and Caseload forecasts; Scottish Fiscal Commission, Economic & Fiscal Forecasts, various.

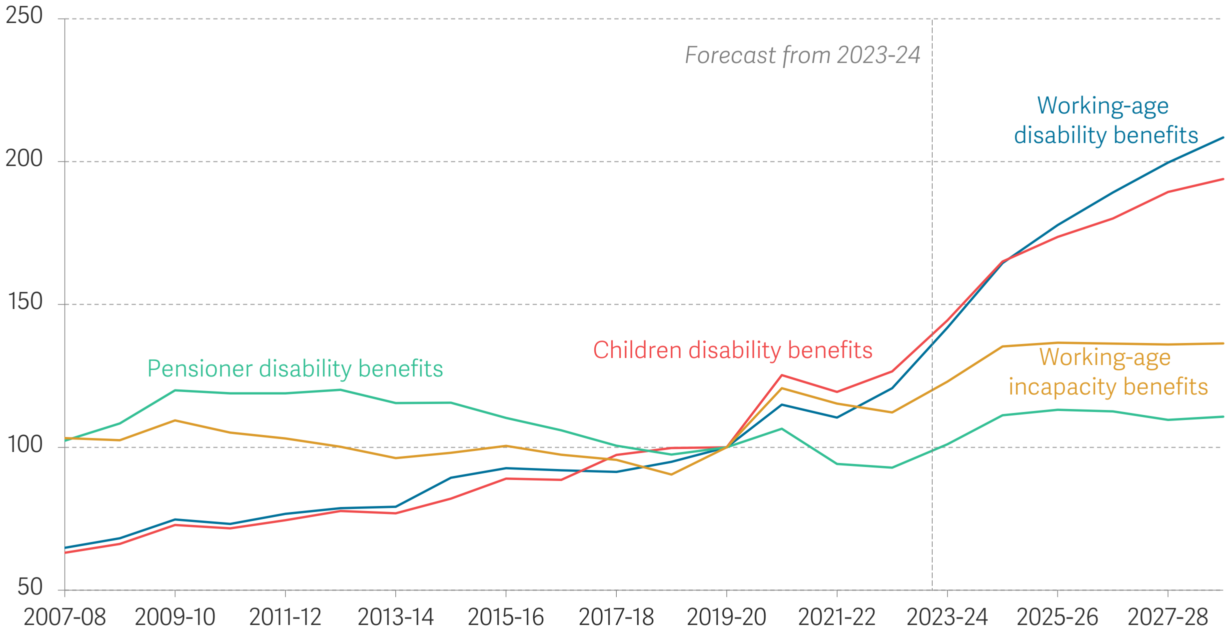
At the time of writing, the Conservative Party has said that it would make significant reforms to reduce the forecast spend on working-age health-related benefits, and has suggested it could cut spending by £12 billion a year by the end of the next Parliament.

25 DWP, Expenditure and Caseload forecasts, Spring Budget 2024; Scottish Fiscal Commission, Economic & Fiscal Forecasts, various.

But this looks extremely challenging. Cuts of that magnitude could only realistically be implemented by taking money off existing recipients. And the recent history of disability benefit reform suggests that expected savings often do not materialise; the introduction of Personal Independence Payment was anticipated to cut 20 per cent of the cost of Disability Living Allowance, but has hardly made a dent.[26]

FIGURE 16: **Expenditure on disability and incapacity benefits is forecast to continue to rise over the next parliament**

Index of real-terms disability and incapacity benefits expenditure (2019-20=100), by age group: GB



NOTES: Converted to real terms using a GDP deflator.
SOURCE: RF analysis of DWP, Spring Statement 2024 Expenditure and Caseload forecasts; Scottish Fiscal Commission, Economic & Fiscal Forecasts, various.

But outside of these two pressures, there are a host of unacknowledged, and arguably unsustainable, stresses too

For the remainder of the social security system – support for housing, for children, for non-disabled working-age adults, and health-related and means-tested support for pensioners – expenditure is set to fall from 4.1 per cent to 3.9 per cent of GDP between 2024-25 and 2028-29, representing a modest rise in spending of just £1.6 billion in real terms. Here, the pressures for the next government come from the fact that the assumptions underpinning these projections require them to accept some very challenging outcomes, which may simply prove not to be sustainable as the next parliament unfolds.

26 DWP, Disability Living Allowance reform (Personal Independence Payment) impact assessment, 2012. The OBR estimated that the reform saved £0.1 billion, rather than an expected £1.4 billion, by 2015-16 (although the savings were set to grow). See para 5.45ff in OBR, Welfare trends report, October 2016.

In particular, current expenditure forecasts rely on the next government continuing:

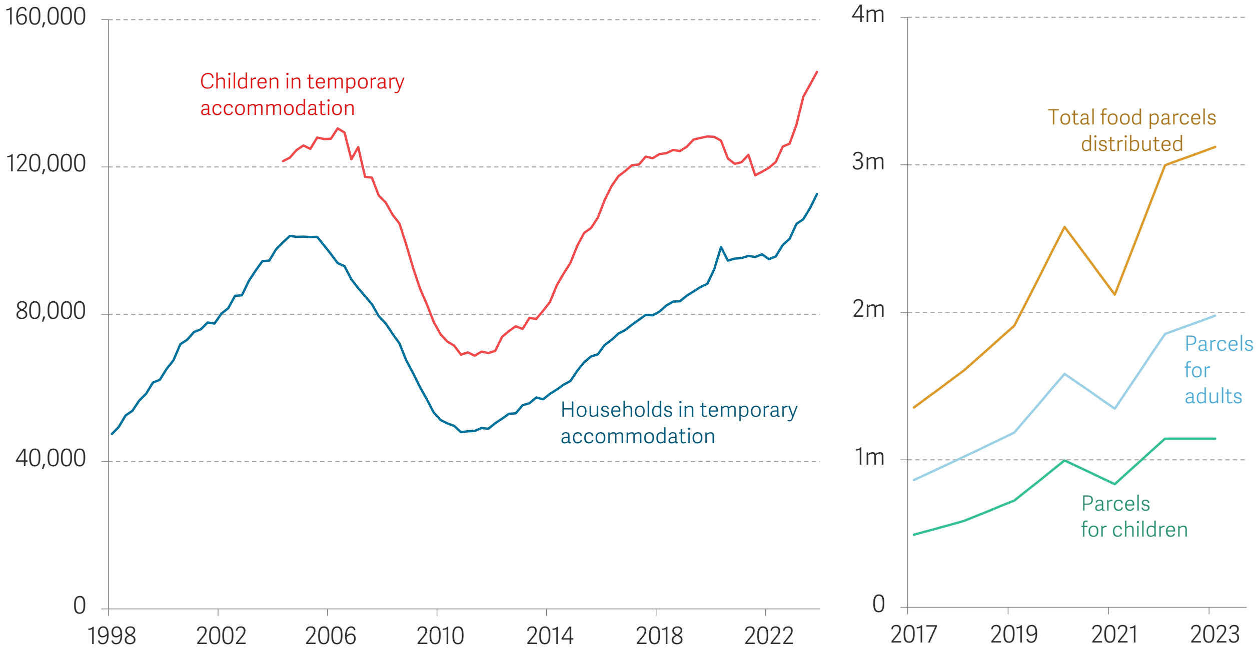
- the rollout of the two-child limit. In April 2023, 55 per cent of households with three or more children claiming Universal Credit or Child Tax Credit were impacted. This will steadily increase until the mid-2030s, when the policy will affect all families with three or more children. Our work earlier this year estimated the continued rollout of the two-child limit will mean that 51 per cent of children in large families will be in poverty by 2028-29;[27]
- nominal freezes in the benefit cap, which currently affects 77,000 families; and,
- freezes to Local Housing Allowance, even though rents are expected to rise by 13 per cent by 2027.[28]

So far, the Labour Party has not said that it will adopt a different approach, although its full manifesto had not been published as we finalised this note.

Furthermore, there is substantial evidence that core levels of benefits are inadequate. We can see this in several dimensions. Last year saw record homelessness numbers – the number of families living in temporary accommodation has doubled since 2010 – and the number of emergency food parcels distributed by Trussell Trust affiliated food banks surpassed three million for the first time (see Figure 17).

FIGURE 17: **The number of households in temporary accommodation and the number of emergency food parcels distributed are both at record highs**

Number of households and children in temporary accommodation: England; and food parcels distributed by Trussell Trust affiliated food banks: UK



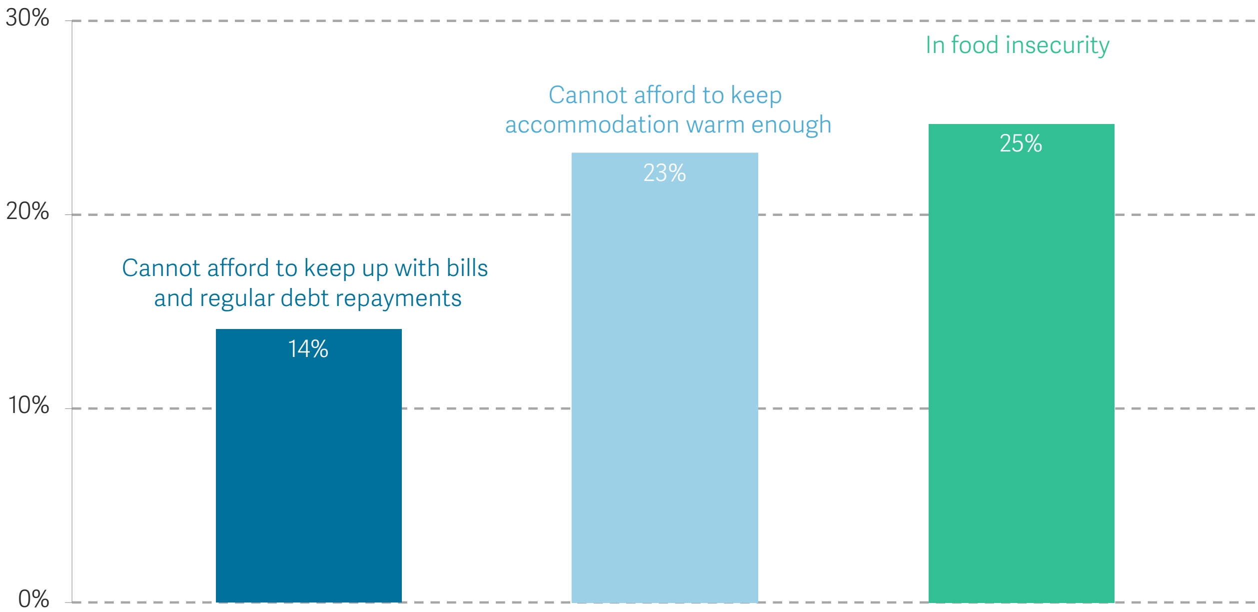
SOURCE: DLUHC, Statutory homelessness live tables; Trussell Trust.

27 L Try, Catastrophic Caps: an analysis of the impact of the two-child limit and the benefit cap, Resolution Foundation, January 2024.
28 C Pacitti, Through the roof: recent trends in rental price growth, Resolution Foundation, April 2024.

And in 2022-23, 23 per cent of people in the bottom fifth of the income distribution lived in households that could not afford to keep their homes warm enough (up from ten per cent in 2020-21), 14 per cent lived in households that could not afford to keep up with bills or debt repayments, and 25 per cent lived in households in food insecurity (see Figure 18). Ten per cent of ***all*** households are now in food insecurity (7 million people, up from 5 million in 2019-20) – including 41 per cent of households on Universal Credit.[29]

FIGURE 18: **More than one in four households in the bottom quintile are in food insecurity, and more than one in four cannot afford to keep their homes warm enough**

Proportion of people in the lowest-income quintile in households who experience different forms of material deprivation and food insecurity, 2022-23: UK



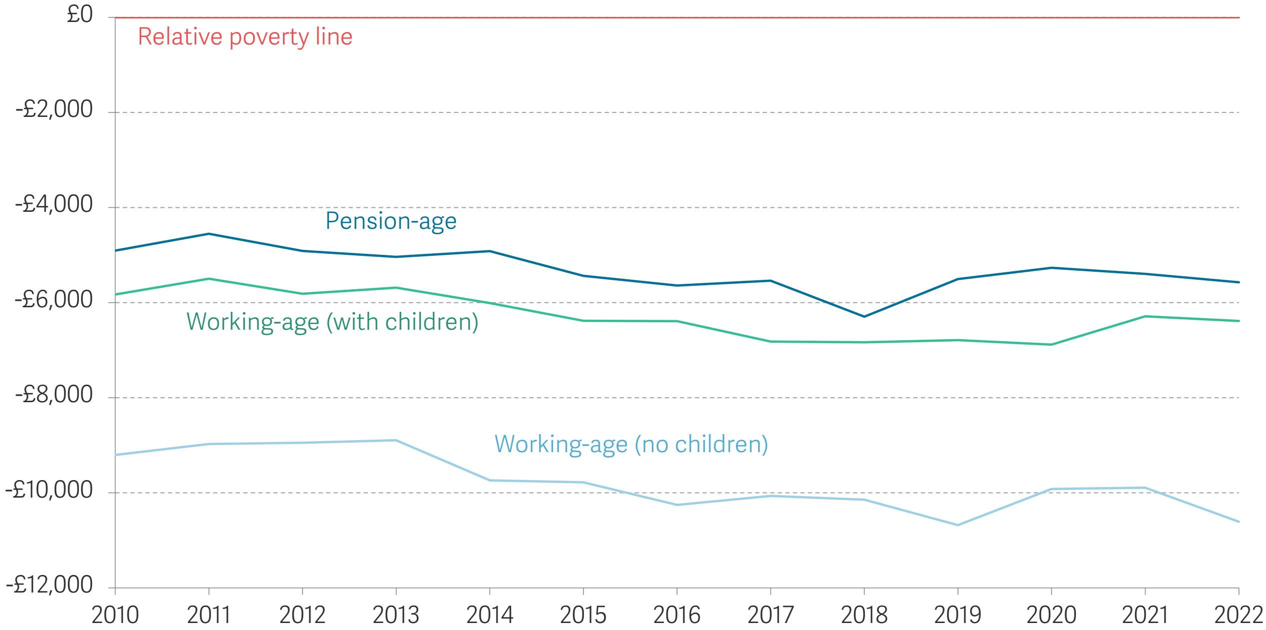
NOTES: Quintiles defined using equivalised household income after housing costs.
SOURCE: RF analysis of DWP, Households Below Average Income.

Third, although headline poverty rates have remained relatively stable since 2010, poverty has deepened. Household incomes for working-age households in relative poverty (i.e. below 60 per cent of the median equivalised household income) were on average £8,650 per year below the poverty line in 2022, up from £7,500 in 2010 (all in 2024-25 prices, see Figure 19). Incomes for working-age households without children in relative poverty are now on average £10,600 per year below the poverty line.

29 A Corlett and L Try, Five takeaways from new living standards data, Resolution Foundation, March 2024.

FIGURE 19: **Poverty has deepened since 2010**

Average annual 'poverty gap' for households below 60 per cent of the median income, 2024-25 prices: UK



NOTES: The relative poverty line refers to 60 per cent of the equivalised median household income in each year. Converted to real terms using a CPI deflator.
SOURCE: RF analysis of DWP, Households Below Average Income.

These outcomes already look bleak, and would clearly worsen if there were any new cuts to social security. They also suggest that any further cuts would inevitably push up public spending elsewhere, particularly in health but also in local government, which is increasingly relied on to pick up the pieces in the event of crises or homelessness.

Further, there is some evidence that attitudes to benefit claiming and expenditure have become more positive in recent years (Figure 20). The latest British Social Attitudes survey shows the proportion of people agreeing that "many people who get social security don't really deserve any help" has more than halved from a high of 40 per cent in 2005 to 19 per cent in 2022, those agreeing that "benefits for unemployed people are too low" has risen from a low of 23 per cent in 2011 to 50 per cent in 2019, and 73 per cent now believe there is "a great deal" of poverty in Britain – the highest proportion recorded since 1986 when the question was first asked. This may be expected following the pandemic and cost of living crisis, when millions more people had to claim benefits and millions struggled with the cost of essentials, but it is notable that attitudes began to show a marked shift around 2015, suggesting that public opinion responded to the cuts to working-age benefits.

FIGURE 20: **Attitudes towards social security claiming and expenditure have become more positive in recent years**

Proportion of respondents who agree with different statements: UK

SOURCE: British Social Attitudes survey.

The next government will, therefore, inherit a social security system that has been radically reformed and modernised over the past 14 years, one that has seen benefits fall drastically in real-terms (although not due to decisions made by the most recent Government), that has shifted spending away from working-age families towards pensioners, and that has broken the link between entitlement and need for some of the poorest households. Outside of disability benefits, which we discuss in a separate paper, the next government may not need to be quite as reforming as those of the previous fourteen years, but will need to consider carefully how best to use the social security system to prevent hardship and destitution, and ideally to ensure all households can share in future economic growth.

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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