AN ESSENTIALS GUARANTEE

Reforming Universal Credit to ensure we can all afford the essentials in hard times.

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Executive Summary

Losing your job, needing to care for a sick family member, breaking up with your partner – everyone's circumstances can change. Most people would expect the levels of support offered by our social security system, if we face hard times, to be based on some sort of objective calculation.

However, this has never been the case. Today's benefit levels are simply the end result of a historical sequence of successive rate changes, based on inflation, welfare reforms or political assessments of affordability. They have never been set with any robust consideration of what households need.

Recent cuts and freezes are frequently pointed to, but without a precedent for what benefit rates should be pegged to, they have been allowed to erode over a much longer period of time. The basic rate of Universal Credit is now at its lowest ever level as a proportion of average earnings. Concerningly, almost half of households see their payments reduced even further as a result of a range of deductions and caps.

This erosion has been a significant driver of an alarming rise in destitution and increasing numbers of people going without essentials, including people higher up the income distribution. The Joseph Rowntree Foundation's (**JRF**'s) recent cost-of-living survey found that 90% low-income households on Universal Credit are currently going without essentials.

A sudden change in circumstance is always hard, but without an adequate safety net, what might have been a short-term setback can quickly spiral, making it far harder for people to get back on their feet. People needing support for longer, such as single parents of young children who are only able to work part-time, or disabled people are experiencing impossible levels of ongoing hardship.

Households unable to meet basic needs comes at a significant cost to the economy and wider society, negatively impacting people's health, employment and education outcomes, and creating downstream costs to other public services such as the NHS.

In the early 2000s, the Turner reforms responded to widespread concern that pensions – the other major component of our social security system - were becoming increasingly complicated and inadequate. The robust and credible process of the independent Pensions Commission found and built cross-party support for, amongst wider reforms, pensions to be relinked to earnings. This consensus-driven approach helped set the UK's pensions framework on a new path, which saw continued cross-party reform and improvements to the adequacy of pensions over the last 20 years.

Now, politicians and think tanks from across the political spectrum are increasingly recognising that levels of support offered by working-age benefits have become worryingly low and many have called for them to be based on some objective measure of need. This aligns with public opinion, where 66% agree that the basic rate of Universal Credit is too low upon being shown the April 2023 rate.

We believe it is therefore the right time for UK Government to introduce an **Essentials Guarantee**, to establish the widely supported principle that, at a minimum, Universal Credit should protect people from going without essentials.

This policy would enshrine in legislation:

1. an **independent process** to regularly determine the Essentials Guarantee level, based on the cost of essentials, such as food, utilities and vital household goods;

2. that the basic rate of Universal Credit (its standard allowance) must **at least meet this level**; and

3. that deductions (such as debt repayments to government, or as a result of the benefit cap) can **never pull support below this level.**

This should also apply to legacy benefits ahead of full Universal Credit rollout.

We are proposing that the UK Government establishes an independent process to, at least annually, recommend the level of this Essentials Guarantee. Our analysis indicates that in 2023/24 this level would need to be at least around **£120** a week for a single person to cover the cost of the essentials. Universal Credit's current standard allowance from April 2023 will be £35 a week below that, leaving a significant gap.

By improving the adequacy of the core building block of the system, the Essentials Guarantee will help everyone on Universal Credit. This includes people with children or with disabled family members, and people working on low incomes or out of work.

Not only does the policy align with emerging thinking from across the political spectrum, it is strongly supported by the public.

When presented with the policy, including what the current rates of support are and what they would increase to, 72% of the public support it, and only 8% oppose it. This includes 82% of 2019 Labour voters, 83% of 2019 Liberal Democrat voters, and 62% of 2019 Conservative voters.

Embedding for the first time a protected, minimum level of support linked to the cost of essentials, it would significantly improve Universal Credit's ability to protect people from material hardship, with substantial benefits for our society and economy.

This report sets out the case for change and describes the key features of the Essentials Guarantee. Further analysis, assumptions, methodology and details of the policy are contained in An Essentials Guarantee: Technical Report **(the 'Technical Report').**

GOING WITHOUT ESSENTIALS

Going without essentials

Over the last decade, the Trussell Trust and the Joseph Rowntree Foundation (**JRF**) have monitored the rise in the number of households who are not only unable to reach a decent standard of living, but are going without food, forced into debt to cover household bills or at risk of eviction.

Our analysis has shown that, even before the economic turmoil of the pandemic:

- Between 2002/03 and 2019/20, very **deep poverty**[1] increased by **1.8 million people** (JRF, 2022a).

- Between 2014/15 and 2019/20 the number of **food parcels** distributed annually by the Trussell Trust increased drastically from **1.1 million to 1.9 million** (Trussell Trust, 2022a).

- **2.4 million people** experienced **destitution** in 2019, a 54% increase from 2017 (JRF, 2020a).

We were not the only ones concerned about this change. In 2019, the 36th British Social Attitudes survey found that 78% of the public said the gap between people on high and low incomes was too large (BSA, 2019).

Since then, the pandemic and the rising cost of living have pushed overstretched budgets to breaking point. In 2022, Trussell Trust food banks distributed more emergency food parcels during the April to September six-month period than ever before (Trussell Trust, 2022b). Need has continued to increase over the winter, with the charity expecting it to be their busiest ever.

Polling suggests that the public are increasingly concerned about this change. A recent nationally representative poll for the Trussell Trust[2] found that the UK public now name poverty as one of the most important issues facing the UK, with 80% thinking that poverty is a big or fairly big problem.

Our analysis has shown:

Between 2014/15 and 2019/20 the number of **food parcels** distributed annually by the Trussell Trust **increased drastically** from **1.1 million** to **1.9 million**.

2.4 million people experienced **destitution** in 2019, a **54% increase** from 2017.

Going without essentials has a cost: to the individual, and to wider society

The impact of destitution and poverty on wider outcomes for the individual and wider society is well evidenced. Insufficient food and cold, damp housing has been proven to have an impact on physical health as well as mental health.[3] The attainment gap in UK schools demonstrates a sharp divide between children from low-income households and their wealthier peers.[4] This has significant costs to the public purse, putting pressure on stretched health, education and social services.

Being unable to afford food or bills and being under constant mental strain – with risk of eviction and fear about providing for your children – makes job hunting much harder. Not having enough to cover the bus ticket to an interview or a shift can make finding and keeping work near impossible.

> "My brain is **on fire** all the time, and that's all just through the **pressure** of life, really **I can't look beyond today.** I'm treading water. My head is just **above the water** at the moment. **Just above. It is a struggle.**"

53 year old man, living alone[5]

“Ever since we’ve not been working and we’re in this bother, I’m getting a lot of **headaches** and pains in my stomach and a load of **ulcers. I never sleep.** When I go to bed, I’m always **worrying** about things, so **I’m always awake at night.**”

43 year old woman, living with her partner and two children[6]

“When I used to **have a job** supporting other people to try to get back to work, I’d do an **exercise** where I’d get them to draw a wall and then write on the **bricks** what **barriers stood in their way.** Then we’d try to address those **barriers.** Now that I’m in the situation myself, I can see what the barriers are but **I just can’t see a way** to overcome them.”

44 year old woman, living with her three children[7]

Permanent solutions are needed

Turning the tide on rising destitution must therefore be a priority for UK Government over the coming years.

In doing so, UK Government must look beyond short-term measures (such as supporting with high energy bills) and address our eroded social security system which is allowing people to fall into, and trapping them in, poverty.

This report focuses on the adequacy of social security, changes to which would substantially reduce the number of people going without essentials. However, this is of course not a solution to every part of that problem. For example, other factors include high housing costs and the current application of 'no recourse to public funds' rules that systematically leave some people without any protection at all from our social security system.

> "I am worried that if I **can't keep my home warm,** I will get **sick** and won't be able to **work.** I have several chronic health conditions that **get worse** with the **cold** and the **damp.** I don't want to lose my **wages** and I don't want to **get even sicker.**[8]"

> The **underlying** reason they needed this support was simple and universal: **the income they were receiving** – primarily from social security, but in some cases combined with employment – **was not enough** to cover their **basic needs.**

Tom Pollard, Researcher and Mental Health Social Worker
on what he heard when interviewing people in foodbanks (Pollard, IFAN, JRF, 2022)

An eroded and inadequate safety net

Most people would expect levels of support from our social security system to be based on a logical, objective calculation - perhaps some proportion of average earnings or the cost of food and bills. However, this has never been the case.

Today's benefit levels are simply the end result of a historical sequence of successive rate changes, each based on a range of considerations, such as what the rate was the year before, inflation, welfare reforms or political assessments of affordability. The rates have never been linked to any objective measure or set based on the cost of what households need.

Everyone's circumstances can change. Losing your job, needing to care for a sick family member, breaking up with your partner – these are things that can happen to any of us. However, levels of income offered by our social security system, including Universal Credit, do not provide an adequate safety net for people who need it.

JRF's latest nationally representative survey of low-income households in November 2022 showed that 90% of low-income households[9] on Universal Credit are going without essentials[10], compared to 62% for all low-income households (JRF, 2022b). Almost three-quarters are currently in arrears with at least one household bill, of which concerningly 39% are in arrears with four or more bills.

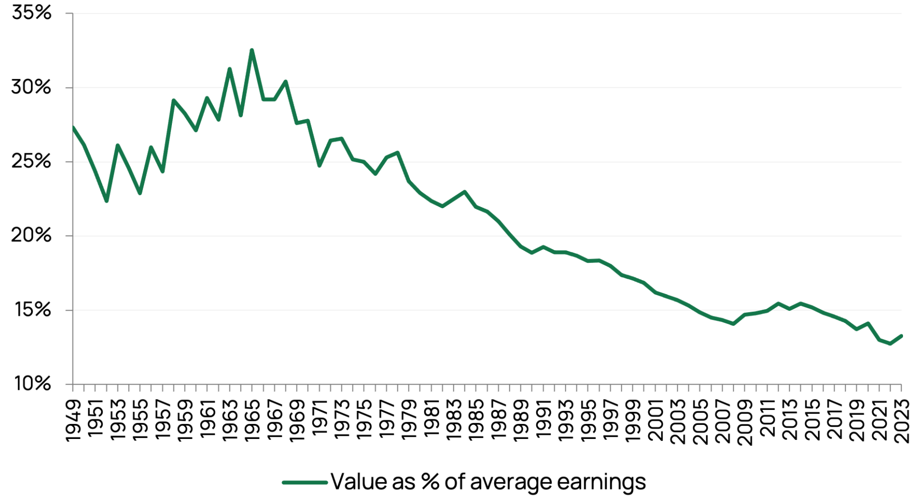
The Trussell Trust's State of Hunger research found that not having sufficient income from the social security safety net is the most significant driver of food bank need (Trussell Trust, 2021). Key factors in this included the low basic rate of Universal Credit – its 'standard allowance' - and various deductions from this support.

The weakening of the system's foundation

The standard allowance is the basic building block of support for all households receiving Universal Credit. It is intended to help with the living costs of the adults in a household, but it is not set according to any calculation of these costs. Without a precedent for what benefit rates should be pegged to, it has been allowed to erode over time and its value in 2022/23 is its lowest level in real terms for nearly 40 years.

Chart 1 shows that Universal Credit's standard allowance is also around its lowest ever level as a proportion of average earnings. How it compares to average earnings is important because it indicates the extent to which the system is able to protect people if they suddenly lose their job.

Chart 1: Historical value of Universal Credit's standard allowance (and equivalents) as a proportion of average earnings



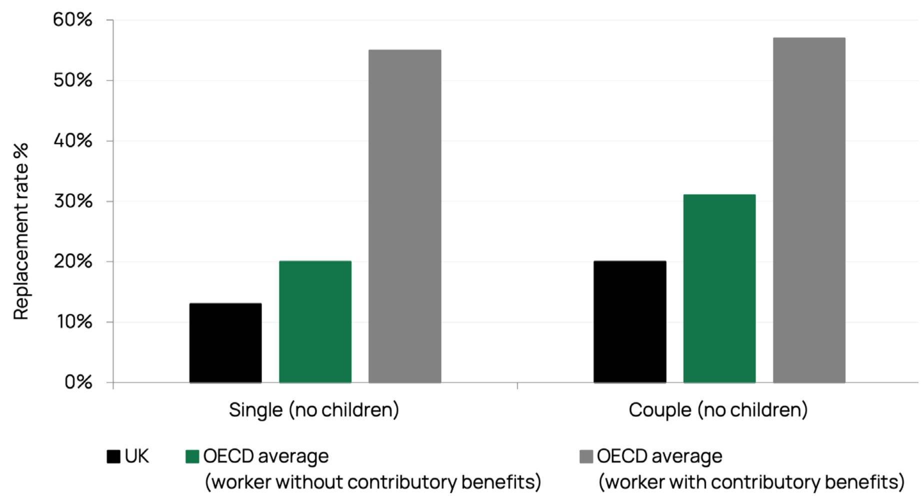
Source: JRF analysis based on DWP's Abstract of DWP benefit rate statistics, and average weekly earnings across full-time and part-time workers from the ONS Monthly Wages and Salaries Survey (series KAB9), ONS series MD9M and equivalent Bank of England series.

Income replacement rates express a family's income after a job loss as a proportion of their income before the job loss.

The rates vary greatly with family composition, housing costs and previous earnings, but **Chart 2** demonstrates that the UK has some of the lowest income replacement rates amongst the high-income OECD countries.

This means people experiencing sudden setbacks will find themselves in the incredibly difficult situation of being unable to pay rent or meet mortgage repayments and getting into debt to pay existing commitments. This can have far reaching, longer-term consequences.

Chart 2: Replacement rates for workers on average earnings, UK compared to OECD average



Source: Reproduced from Institute for Fiscal Studies (2020). Based on a family with one worker paid average earnings in 2018. 'With contributory benefits' shows replacement rates for a worker receiving unemployment benefit who is aged 40 and has worked uninterrupted since age 19. All figures relate to the second month of unemployment. Ignores housing benefits. OECD average is measured across 36 OECD countries (Turkey is excluded because of lack of data availability).

A minimum level of protection

Most people would expect our social security system to somewhat guard against this, and our insights show that the vast majority of people at least want our system to protect people from going without essentials.

Recent polling by Thinks Insight and Strategy for JRF[12] found that, when shown the April 2023 standard allowance rate, 66% of the public said it was lower than they expected it to be, 67% said they didn't think they would be able to afford the essentials if they were on Universal Credit, and 69% support increasing the rate.

New analysis by JRF and the Trussell Trust demonstrates that the basic rate of Universal Credit falls well short even of what's needed to afford essentials. The analysis estimates what it costs to afford a list of basic essentials (such as food, utilities and vital household goods, but excluding rent and council tax) for the adults in a household.

It draws on a range of sources, including ONS spending data for low-income households, and focus groups with members of the public commissioned by JRF with Thinks Insight and Strategy in November 2022, including some groups of Universal Credit claimants. These explored what our social security system should do and what, at a minimum, are the essentials anyone receiving support from it should be able to afford. Further details and methodology can be found in the Technical Report.

> "I couldn't afford heating last year so I have **no intentions to use the heating** this year, if my **electric goes up** much more I won't be **able to afford** to cover **my rent** and the few bills that I have to pay now, so **I could end up homeless.**"[11]

The infographic shows the results of this analysis.

Amount needed to afford essentials for the adults in a household (for 2023/24)

Essential	Single £ per week	Couple £ per week
Food and non-alcoholic drinks	£37	£67
Electricity and gas	£35	£44
Water	£6	£7
Clothes and shoes	£6	£13
Communications, including phones, internet and postage	£8	£11
Travel	£16	£32
Sundries - for example toiletries, haircuts, cleaning materials, bank charges	£13	£23
Total (rounded)	£120	£200

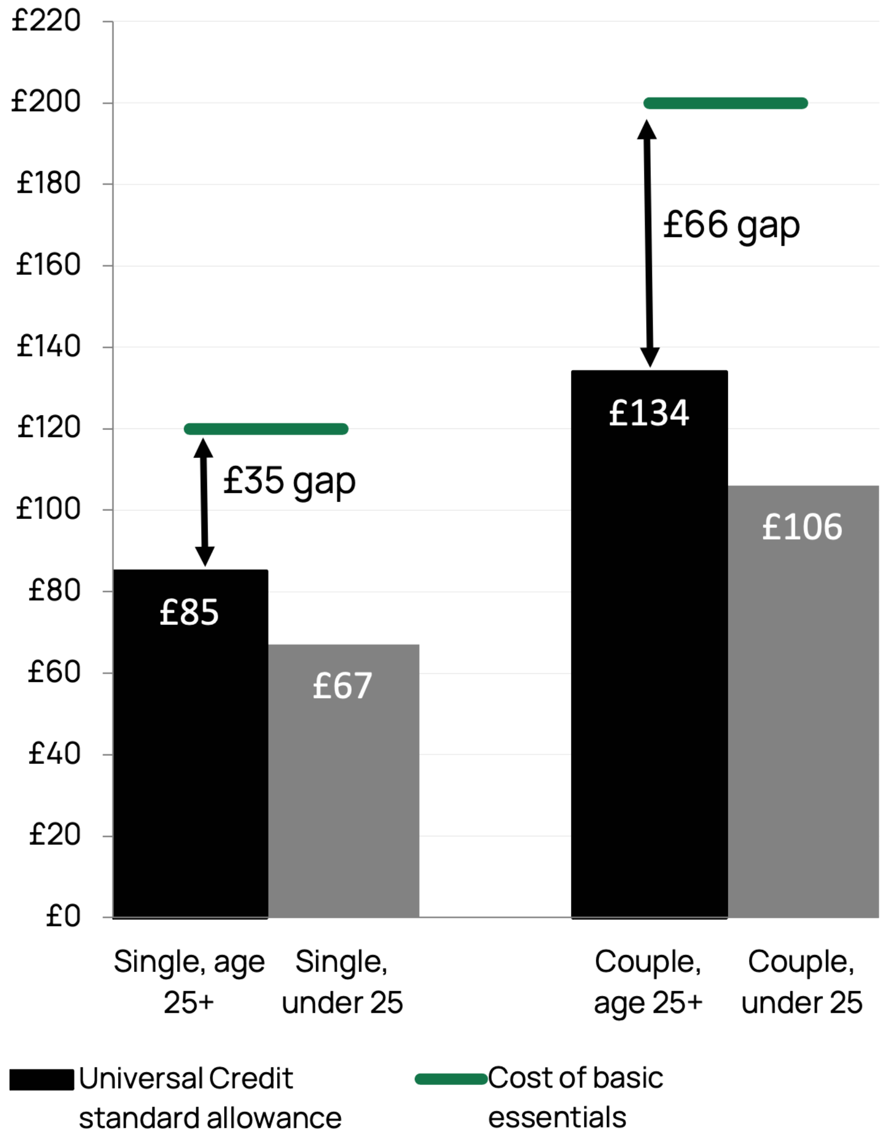
This basic list of items and conservative estimate of costs demonstrates that the standard allowance is clearly inadequate: Universal Credit's standard allowance from April 2023 will be at least £35 per week beneath the cost of these essentials for a single adult, and at least £66 per week below for a couple (as illustrated in **Chart 3**).

For additional context, the Technical Report explains how this estimate of the cost of these basic essentials differs significantly in nature from some common income benchmarks, such as the poverty line, destitution income threshold and Minimum Income Standard ('**MIS**').

This inadequate foundation of support (with the standard allowance generally accepted to be there to cover the core costs of the adults in the household) affects everyone receiving Universal Credit.

Working households on Universal Credit struggle to escape in-work poverty, and other elements of support intended to help with additional costs associated with children or being disabled come under pressure from a basic rate that isn't enough to cover core essential costs of the household.

Chart 3: Universal Credit's standard allowance compared to cost of basic essentials (£ per week in 2023/24)



Deductions erode support even further below what's needed to afford essentials

With a basic rate of Universal Credit that does not even cover life's essentials, it is concerning that almost half of households have deductions taken directly from their Universal Credit, reducing their support even further. This makes it even harder to afford the essentials and pushes people more into debt.

Debt deductions

For example, in August 2022, 2.1 million households (45% of all households receiving Universal Credit) had debt repayments taken directly from their Universal Credit payment ('debt deductions') by the Department for Work and Pensions (DWP) (Opperman, 2023). In mid-2022, 57% of people referred to a Trussell Trust food bank in receipt of Universal Credit had their income reduced by debt deductions (Trussell Trust, 2022d).

Households can lose up to 25% of their standard allowance (with a small percentage of households in some circumstances losing even more than this). No affordability assessment is made: an approach that wouldn't generally be allowed in the private sector. The average debt deduction is £62 per month (Opperman, 2023).

> "I did have a **loan** [from the DWP] the other week to buy another cooker. **I've got to pay it back**, a little bit **each month. I just finished** paying off **the last loan** from them."

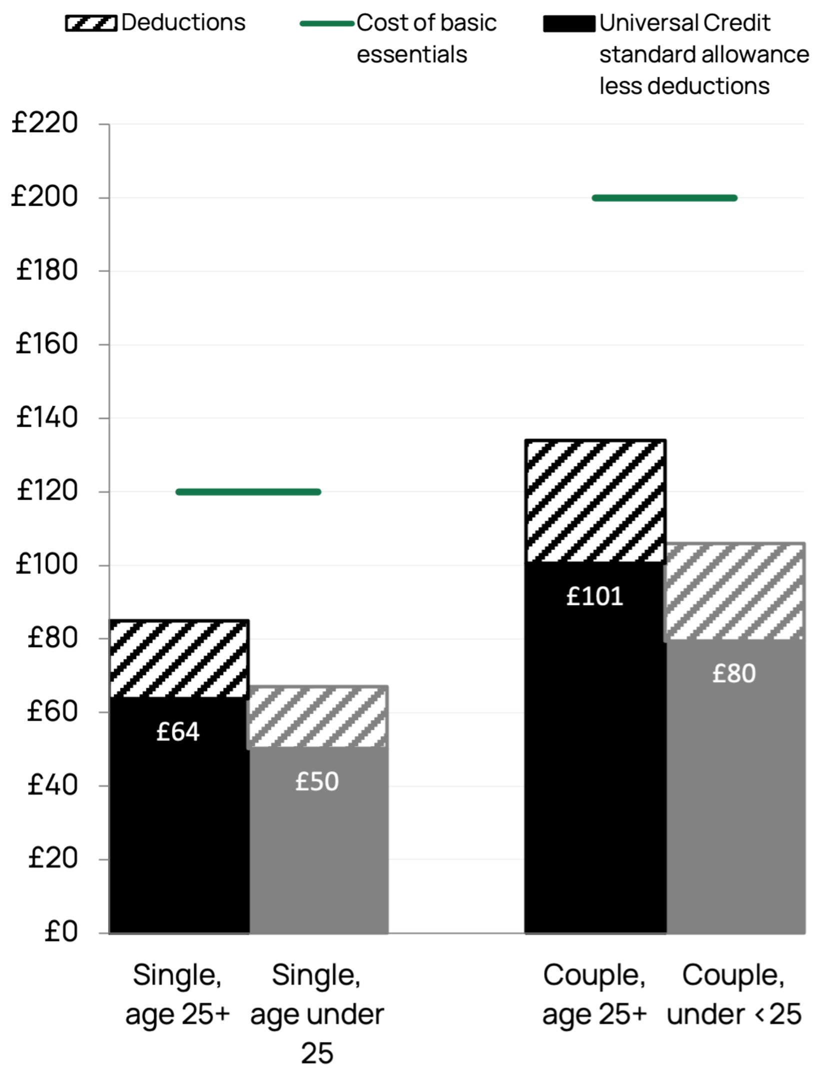
60 year old man, living with his adult son[13]

Chart 4 illustrates how debt deductions pull the support available even lower. Other policies that result in deductions being made to someone's Universal Credit have a similar effect, such as the benefit cap or sanctions (see **Box 1**).

95% of people on Universal Credit facing debt deductions are going without essentials, compared to 84% of people on Universal Credit not facing debt deductions (JRF, 2022b). JRF's research has found debt deductions to be a significant driver of destitution (JRF, 2020a).

Debt deductions can include repayments of debts to third parties, such as outstanding energy bills, but the vast majority of the amounts deducted (around 85%) relates to debt owed to UK Government (Rutley, 2022). For example, 60% of people take out a loan from the DWP when they first claim Universal Credit, often needed to help them get through the minimum five-week wait for the first payment (Schofield, 2020). This creates debt and hardship for people, leaving them repaying debts at often unaffordable rates right from the start of their claim.

Chart 4: Deductions pull support even lower



Note: Illustrates the maximum 25% deduction for debt deductions.

They give it to you with one hand **and take it away** from you with the other [...] They use the word help, but **it's not really help** in the long run, **it's a trick.**

Theo, 41 year old [14]

Other households are repaying historic overpayments of tax credits from HMRC, sometimes from many years ago that they were unaware they owed before starting a Universal Credit claim.

Box 1: Other types of deductions

Deductions resulting from the benefit cap -
The benefit cap places a limit on the total amount a household with earnings of less than £658 a month can receive from a combination of benefits, regardless of the size of their household, housing costs and need. If their total benefits exceed the limit, then a deduction is made from their Universal Credit amount. Around 120,000 households were affected by the benefit cap in August 2022, 87% of which were families with children, with an average deduction resulting from the cap of £51 a week (DWP, 2022a).

Sanctions - A sanction is applied if DWP decides that someone has failed to comply with certain conditions for receipt of their benefit (for example, in the vast majority of cases, missing an appointment). A single person will generally lose 100% of their standard allowance for between a week and six months, which unsurprisingly leaves people going without essentials. Around 120,000 people were subject to a sanction in November 2022 (DWP, 2022b).

It's time for change

In the last three years, various temporary measures have shown how more adequate levels of support could reduce levels of hardship. Analysis in JRF's UK Poverty 2023 report demonstrates that the temporary £20 uplift to Universal Credit's standard allowance during the pandemic was a major factor behind a temporarily reduced poverty rate in 2020/21, including for larger families (JRF, 2023a).

Further, following the recent 'Cost of Living Payments' to support with high energy bills, the Trussell Trust saw a slight reduction in the need for foodbanks, and Citizens Advice saw a reduced demand for advice. These temporary measures highlight how financial support can make a real and direct difference.

More and more voices from across the political spectrum are joining in warning that our safety net is now simply inadequate, and consensus is building that levels should be set based on a logical assessment of need. The Turner pension reforms demonstrate that it is both possible and impactful to embed widely supported principles about adequacy within our social security system and set the basis for a new, lasting, settlement for the future.

Our solution:

AN ESSENTIALS GUARANTEE

It is **evident** from these accounts that a **social security system** that ensures people have **sufficient income** to meet their basic costs would not only **remove** the **need** for **food aid** but also **relieve a huge amount of suffering.**

Tom Pollard
reflecting on what he heard when interviewing people in foodbanks (Pollard, IFAN, JRF, 2022)

Our solution: An Essentials Guarantee

It is clear there needs to be a stronger minimum in the system that is properly linked to the cost of essentials, and that isn't undermined by arbitrary deductions.

To achieve this, JRF and the Trussell Trust are calling on the UK Government to introduce an Essentials Guarantee within Universal Credit. Developed in line with public attitude insights and focus groups, this policy would enshrine in legislation:

1 - an independent process to regularly determine the Essentials Guarantee level, based on the cost of essentials, such as food, utilities and vital household goods;

2 - that the basic rate of Universal Credit (its standard allowance) must at least meet this level; and

3 - that deductions (such as debt repayments to government, or as a result of the benefit cap) can never pull support below this level.

The Essentials Guarantee would not specify exactly how the UK government should set benefit rates and rules, as long as it complies with the guarantee.

An independent process

The UK Government would be required to set the Essentials Guarantee level at least annually, based on the recommendation of an independent process drawing on evidence of what's needed to cover the core basic essential living costs of the adults in a family (excluding rent and council tax, which are covered by separate benefit elements). It is crucial that this is informed by the experience of people with direct experience of living on a low income.

The details of our proposal assume the full rollout of Universal Credit, but if it were implemented now, the Essentials Guarantee should also be applied to the 'personal allowance' of the 'legacy' benefits (such as Employment and Support Allowance), which is currently the same amount as Universal Credit's standard allowance.

The level of the Essentials Guarantee

Ultimately, the Essentials Guarantee level would be for this independent process to determine, but it is clear from our own analysis (see Infographic on page 16) that to meet the basic costs that the public strongly agree should be covered, this would need to be at least around £120 a week for a single adult and £200 for a couple (at December 2022 prices).

Infographic shows further details of these amounts:

Amount needed to afford essentials for the adults in a household (for 2023/24)

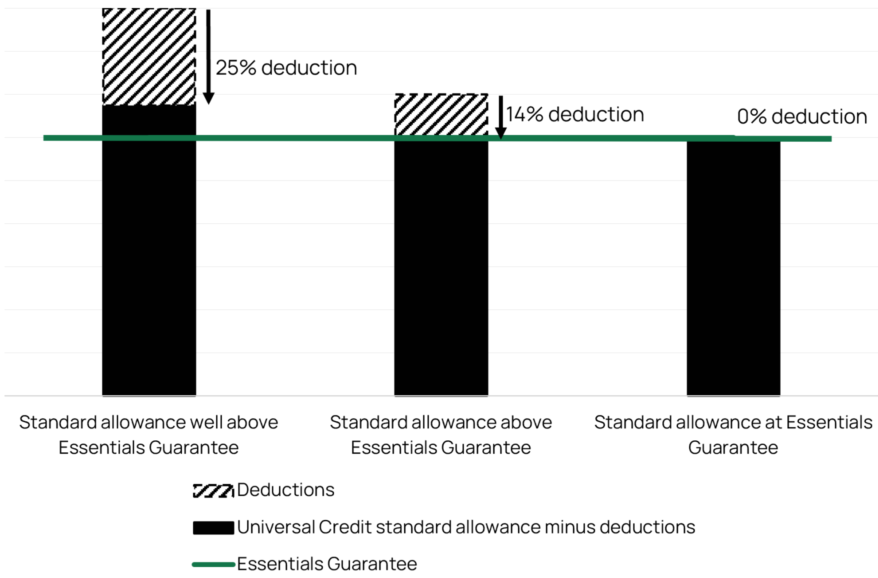
Essential	Single £ per week	Couple £ per week
Food and non-alcoholic drinks	£37	£67
Electricity and gas	£35	£44
Water	£6	£7
Clothes and shoes	£6	£13
Communications, including phones, internet and postage	£8	£11
Travel	£16	£32
Sundries - for example toiletries, haircuts, cleaning materials, bank charges	£13	£23
Total (rounded)	£120	£200

Based on this indicative level, in order to comply with the Essentials Guarantee, the UK Government would need to increase the standard allowance for a single person (£85 a week from April 2023) by at least £35 a week, as well as bringing the rate for people under 25 (currently £67 a week) at least up to this level. It would also have to amend the various deduction policies to ensure they comply with the Essentials Guarantee requirements.

Protection from unaffordable deductions

Chart 5 illustrates how the Essentials Guarantee would work, using the example of debt deductions. If a government were to set Universal Credit's standard allowance above the Essentials Guarantee, deductions could be taken but only until the standard allowance – minus deductions - falls to the Essentials Guarantee level. If a government set the standard allowance exactly at the Essentials Guarantee level then deductions wouldn't ordinarily be taken from a household without any earnings, as this would leave them unable to afford essentials, but debt deductions would be recovered gradually as earnings rise.

Chart 5: Illustrative depiction of the Essentials Guarantee



However, some households are not expected to be able to increase their earnings from work for an extended period of time, for example some disabled people. If households have an unsustainable level of total debt compared to their anticipated ability to repay it, normal best practice debt management and restructuring approaches should be used. The social security system should not be a place where unsustainable debt is systemically generated and sustained.

Impact and cost of an Essentials Guarantee

By embedding a legal minimum in our social security system, the Essentials Guarantee will mean that if any of us need to turn to Universal Credit due to sickness, caring for a family member, relationship breakdown or job loss, we can be confident we can at least afford the essentials.

Calculated based on those essential costs, the Essentials Guarantee will significantly strengthen Universal Credit's ability to protect our society from destitution and wider material hardship.

The cost of implementing the Essentials Guarantee in full at our indicative level would be around an additional £22 billion a year in 2023/24 (assuming full rollout of Universal Credit), but there would be options to build up to the full value over time, for example over the course of a Parliament, with the cost phased in gradually. The Essentials Guarantee provides a clear principle and direction of travel to guide Universal Credit uprating and policy decisions over time. For instance, it could be introduced at a lower level that would, at first, primarily provide protection against unaffordable deductions.

While the full cost is not insignificant, given the devastating impact that people going without essentials has on our society and economy, there will be savings to public services as a result of improved outcomes, which are not accounted for in our costing. What's more, we know that when people receive additional income in this way they spend it immediately on essentials (Trussell Trust, 2022c), benefiting high streets and local economies.

Strengthening the foundation of support

Crucially, the Essentials Guarantee will have a real impact on millions of people whose lives are devastated by not being able to afford essentials like food and heating.

By improving the adequacy of the core building block of the system - the standard allowance - and protecting it against deductions, the Essentials Guarantee will help everyone on Universal Credit. Tax-benefit microsimulation modelling[15] of lifting Universal Credit's standard allowance to our indicative Essentials Guarantee level in 2023/24 (assuming full Universal Credit rollout) estimates that:

- around **8.8 million families** would gain, by on average **£48 a week**;

- this includes around **3.9 million families with children**, gaining on average **£55 a week**;
- over **half (56%)** of all working-age families in the UK with a **disabled family member** would benefit.

These gains represent averages across the mix of families on Universal Credit, some headed by single adults and others by couples, some aged under 25 and others older. For example, a family headed by a single adult aged 25 or older would gain £35 a week, whereas a family headed by a couple with at least one member aged 25 or older would gain £66 a week.[16]

These modelled gains do not incorporate the additional help that the Essentials Guarantee would provide by limiting debt deductions. These would not ordinarily be allowed under the Essentials Guarantee for households with no other earnings until earnings rose (unless the standard allowance was set above the Essentials Guarantee level). Administrative data shows that 55% of households with no earnings on Universal Credit currently face debt deductions averaging £13 a week (Opperman, 2023).

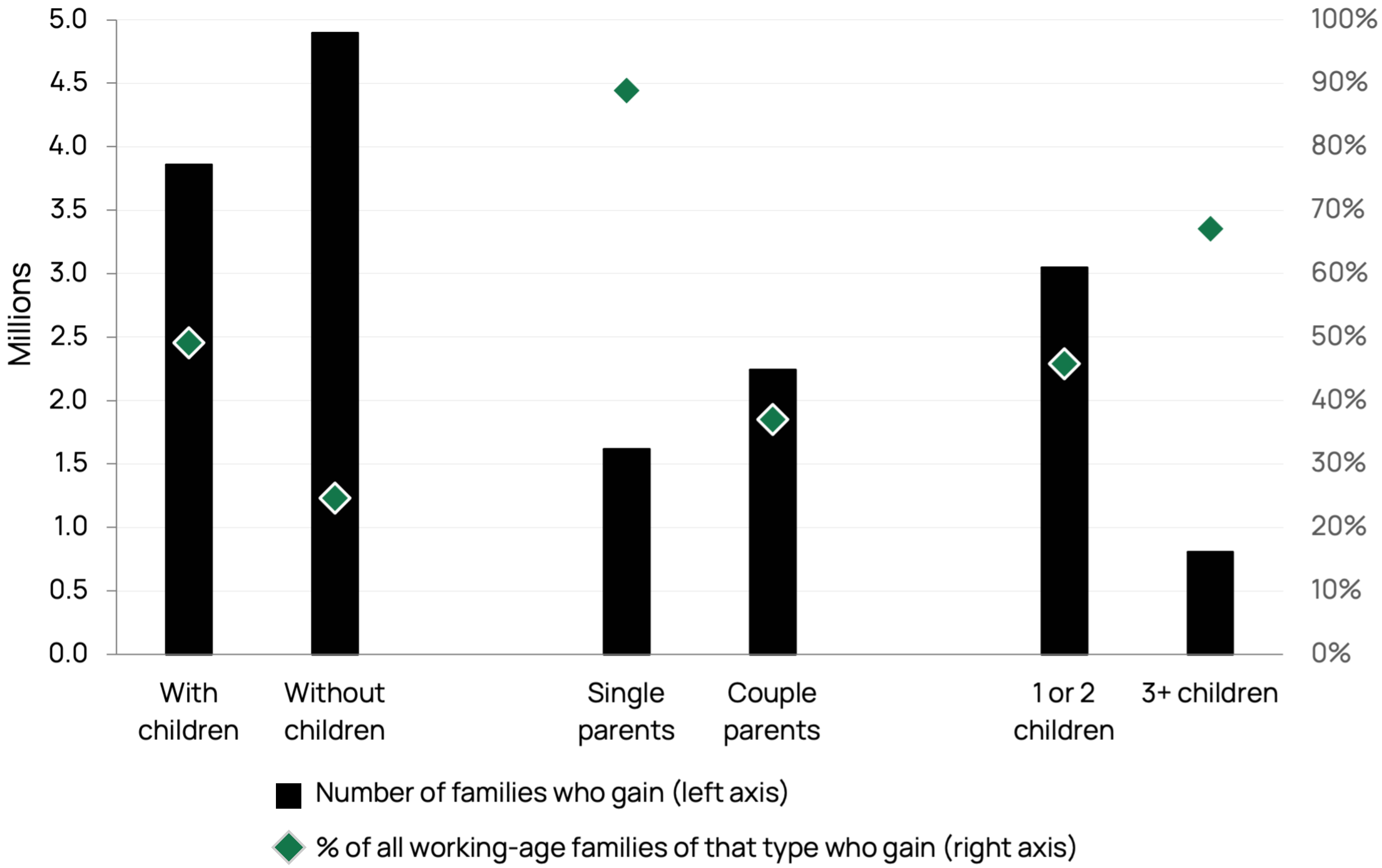
The Essentials Guarantee will reduce the extent to which insufficient support to cover the core essential costs of the household puts pressure on other elements of support for children and disabled people.

Positive impact of an Essentials Guarantee

Over half (56%) of all working-age families in the UK with a **disabled family member would benefit**.

Chart 6 shows a breakdown of families who would gain, focusing on those with children, including how the Essentials Guarantee disproportionately helps people at greater risk of deep poverty. For instance, around 1.6 million single parent families, who are at higher risk of deep poverty, would benefit from the Essentials Guarantee.

Chart 6: Families who gain from the Essentials Guarantee



Source: JRF modelling using the IPPR tax-benefit microsimulation model (see Technical Report for further details and assumptions)

Supporting low-income working households

And whilst the Essentials Guarantee would help 3.5 million out-of-work families, the majority of households (three in five) who gain are in work. This would alleviate in-work poverty and ensure financial work incentives are not altered significantly for most people on Universal Credit (see Technical Report for further details and illustrative impacts on example families, including people without children, couples and single parents).

Preventing hardship

It would also boost the current, very low, income replacement rates, with Universal Credit's basic rate rising from 13% of average earnings to 19% (whilst remaining very moderate in historical terms – having been well above 20% between 1948 and the late 1980s and peaking at 33% in the 1960s).

Looking at the impact on the headline relative income poverty measure (after housing costs):

- around **69% of people in poverty would gain from the Essentials Guarantee**, three in five of whom are in working families;
- the average gain for people in poverty would amount to around **£3,100 a year** – around a 30% increase in income after housing costs;
- it would lift around **1.8 million people out of poverty** altogether, around 1.3 million of whom live in a household containing children (including 600,000 children);
- around **a million people** who would be lifted out of poverty live in a household where someone is **disabled**.

> We have to feel **hopeful** because if we don't, there's **nothing else.** I cannot allow myself to think **that this is it.** We have a **daughter** who hasn't even started secondary school yet. **If I give up now. Well, I can't.**

42 year old man, living with his partner and four children[17]

Further reforms needed

Implementing the Essentials Guarantee would represent a significant and widely supported reform of social security, embedding for the first time a protected, minimum level of support linked to the cost of essentials.

However, in order for Universal Credit to protect households most effectively from going without essentials, the Essentials Guarantee should go hand in hand with broader reforms, both to reduce the overall numbers of people needing support from Universal Credit and to address policies that diminish the protection it can offer.

1. Reducing the burden of debt at source

The Essentials Guarantee will help prevent unaffordable rates of debt collection by UK Government, but the burden of debt that is so prevalent within our benefit system should be reduced at source. As most of this debt is generated by UK Government systems and policies, this is a problem largely within UK Government's control to solve.

Reforming the minimum five-week wait for Universal Credit's first payment would substantially reduce the amount of loans generated in the form of Universal Credit 'advance payments', which many people are forced to take out to survive the period without any income from Universal Credit. A range of proposals for how to do this have been made, such as converting advance payments into upfront grants based on estimated Universal Credit awards, which would not have to be paid back unless a claim is refused.[18]

Writing off historical tax credit overpayments and bringing the UK Government's approach to debt collection and affordability assessments at least up to the level of best practice in the private sector would also make a huge difference.

2. Lowering housing costs and ensuring help with rent is sufficient

The Essentials Guarantee does not focus on rent or council tax because these costs are meant to be covered by other benefit elements and not everyone on Universal Credit needs support for rent.

However, high housing costs are a major factor that leaves many people without enough money to afford essentials, particularly people in the private rented sector: 85% of low-income private renters are going without essentials, the highest of any tenure (JRF, 2022b).

Many private renters are having to use their standard allowance, or other elements of their social security income, to cover a shortfall between their housing support ('Local Housing Allowance' or **LHA**) and their rent. LHA limits support to the cheapest 30% of rents in a local area, but an ongoing LHA freeze means support is still based on rent levels from 2018 to 2019.

This is particularly pertinent given rapidly rising rents, with Zoopla recently reporting a 12% annual rise in advertised rents across the UK (JRF, 2022b). The growing gap between private rents and LHA is reflected in the rising proportion of families whose LHA doesn't cover their rent, shown in **Chart 7**.

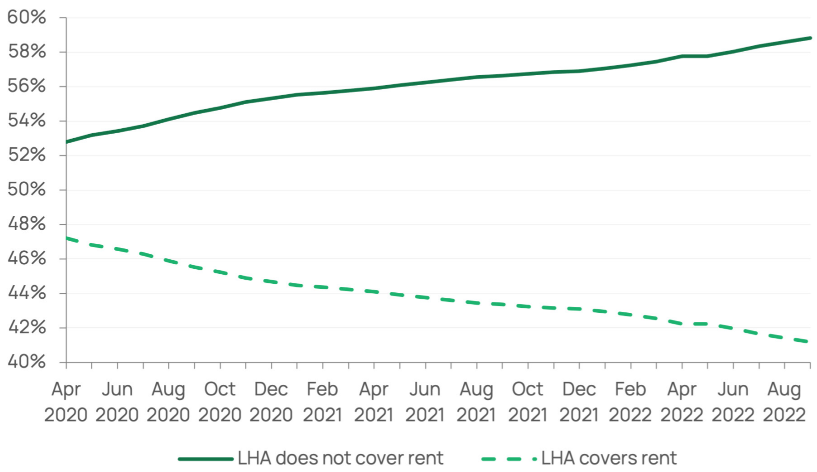
Structural reform of the UK's housing markets and policies - including around ownership, distribution and subsidies - is needed to improve the affordability of our homes, by shifting the distribution of the existing stock and via new supply.[19] But in the immediate term, it is clear that shortfalls between private rents and support from the benefit system to cover these are a driver of destitution (JRF, 2020a) and food bank use (Trussell Trust, 2021).

LHA should return to being linked to local rent levels and at least be reset to cover the bottom 30% of rents.

> I'm worrying constantly: **'Who's going to knock at my door?** Am I going to get a letter?'. I had a fright - they sent me a letter: **'You're on housing arrears'**, a warning or whatever. Oh, my God, my anxiety went through the roof. I got on the phone. I was begging them: **'Please don't evict me. Please don't evict me.'**

53 year old man, living alone[20]

Chart 7: Proportion of families on Universal Credit where LHA doesn't cover rent



Source: DWP Stat-Xplore

3. Improving support into and to progress in work

By better enabling households to meet their core needs, the Essentials Guarantee will make it easier for households to recover from a setback, including getting into and progressing in work where they are able to.

But alongside this, we need to see much more high-quality, tailored and integrated support available to help people overcome health problems and other barriers. This will ultimately reduce the heavy lifting that needs to be done by Universal Credit, further enabling it to become the solid foundation and source of security we can all rely on when we need it.

> "They want you to do **jobs,** but they expect you to get there when you **ain't got no money.** Then they offered me a job the other day, £10.50 an hour for two hours. It'd cost me £8 a day on the **bus** to get there and back. I ain't got the money **to get there and back.**"

60 year old man, living with his adult son[21]

Notes

1. 'Very deep poverty' defined here as having a household income below 40% of median equivalised household income after housing costs.
2. Polling undertaken by YouGov Plc. The total sample size was 12,338 adults. Fieldwork was undertaken between 24 August and 13 September 2022. The survey was carried out online. The figures have been weighted and are representative of all UK adults.
3. See for example: JRF (2020), Cook and Frank (2008) and Gemmell (2001).
4. See for example: Yao and Zhang (2023) and Cook and Frank (2008).
5. Quote taken from Pollard, IFAN, JRF (2022).
6. Quote taken from Pollard, IFAN, JRF (2022).
7. Quote taken from Pollard, IFAN, JRF (2022).
8. Quote taken from the Trussell Trust (2022c).
9. 'Low-income households' defined as those in the lowest 40% of equivalised household income.
10. 'Going without essentials' means people reported going hungry, or cutting down the size of meals or skipping meals in the last 30 days, or going without basics like showers or adequate clothing between June 2022 and November 2022 (two consecutive dates of JRF's tracker survey).
11. Quote taken from the Trussell Trust (2022c).
12. Two waves of polling was undertaken by YDS on behalf of Thinks Insight and Strategy for JRF. The total sample size was 2,092 adults in wave one and 2,088 adults in wave two. Fieldwork was undertaken between February 1 and 3 for wave one and February 3 and 5 for wave two. The survey was carried out online. The figures have been weighted and are representative of all UK adults.
13. Quote taken from Pollard, IFAN, JRF (2022).
14. Quote taken from the Trussell Trust (2022e).
15. See Technical Report for further details and assumptions of the tax-benefit microsimulation modelling.
16. Some families with higher earnings, who only become eligible for Universal Credit after the application of the Essentials Guarantee, will gain by less than these amounts as their final Universal Credit entitlement after application of the taper rate will be less than the full amount they would have gained by had they had lower earnings. See Technical Report for further details.
17. Quote taken from Pollard, IFAN, JRF (2022).
18. See for example: JRF (2020b) and JRF (2021).
19. See for example: JRF (2022c) and JRF (2023b).
20. Quote taken from Pollard, IFAN, JRF (2022).
21. Quote taken from Pollard, IFAN, JRF (2022).

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Further analysis, assumptions, methodology and details of the Essentials Guarantee policy are contained in the accompanying Technical Report:

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About the authors

About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.
We are working with private, public and voluntary sectors, and people with lived experience of poverty, to loosen poverty's grip on people who are struggling to get by. All research published by JRF is available to download from www.jrf.org.uk

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About the Trussell Trust

The Trussell Trust is a network of more than 1,300 local food bank centres across the UK, providing practical support for people who don't have enough money for the things we all need in life.
But it's not right that anyone needs a food bank in the first place. We can change this by ensuring everyone has enough income for the essentials. That's why we also work with communities across the UK to change the things that are leaving people without enough money for the essentials, bringing together experiences, data, insight and evidence from food banks and the people who need them across England, Scotland, Wales and Northern Ireland.

Together with thousands of volunteers and people who have used food banks across the UK, we share what we know to push for the changes that will ensure all of us have enough money to cover the essentials.

Join us in calling on the UK government to

GUARANTEE OUR ESSENTIALS