



BRIEFING:

**IMPACT OF UNIVERSAL
CREDIT AND WTC
CHANGES ON POVERTY –
Quarter 2, 2021**

October 2021

CONTEXT

This October 2021 briefing presents original analysis from the Legatum Institute using the Social Metrics Commission's approach to poverty measurement to demonstrate the insulating effect that Government policy has had on poverty throughout the Covid-19 pandemic and the risks that recent changes to social security policy pose for poverty. It builds on our previous work on this issue,ⁱ which provide more detailed methodological notes.

SUMMARY OF FINDINGS

Government Covid response policy has insulated many families from poverty.

The temporary increase of £20 a week to Universal Credit and Working Tax Credit and the suspension of the Minimum Income Floor protected some 840,000 people from poverty in Quarter 2, 2021.

Without these changes, 840,000 more people would have been in poverty in Q2 2021 than was actually the case. It is very likely that poverty will have increased by a similar amount because of the removal of this temporary support in October 2021.

Impact across different groups. Table 1 shows how the types of people and families that have been protected from poverty by the UC, WTC and MIF changes through the pandemic. For example, it shows that the majority of those protected are working-age adults (520,000) or children (290,000).

In other words, if current UC and WTC levels were reduced by £20 a week and the MIF were reinstated, some 520,000 more working-age adults and 290,000 children would have been in poverty in Quarter 2 2021.

More than half (450,000) of those being protected by the temporary support are disabled themselves, or live in a family that includes a disabled person. The ability of many of these individuals and families to enter or increase work is limited by the type or degree of their disability or health condition. This makes it very likely that the reversal of these changes in October 2021 will have led to them falling into poverty.

Table 1: Projections of how many people the changes in UC and WTC were protecting from poverty in Quarter 2, 2021

	Number of people being protected by UC & WTC uplift and suspension of the MIF
Age	
Children	290,000
Working-age adults	520,000
Pension-age adults	30,000
Family type	
Single, no children	190,000
Lone parent	200,000
Couple, no children	60,000
Couple with children	360,000
Single pensioner-age adult	0
Pensioner couple	30,000
Family work status prior to Covid-19 pandemic	
Full-work family (including those who subsequently lost their jobs)	320,000
Full/ part-time work family	300,000
Part-time work family	90,000
Workless family	120,000
Retired family	10,000
By whether the family includes a disabled person	
Family includes disabled adult or child	450,000
Family does not include disabled adult or child	390,000

Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model. Quarter 1, 2021 is our central unemployment scenario.

Notes: Work status describes the family's situation prior to Covid-19.

ⁱ Legatum Institute, (2020). Poverty during the Covid-19 crisis. Available here: <https://li.com/reports/poverty-during-the-covid-19-crisis/> Accessed 20/06/21.