



BRIEFING:

**THE POVERTY IMPACT OF
THE CHANCELLOR'S
MEASURES TO EASE THE
COST OF LIVING CRISIS**

May 2022

CONTEXT

This May 2022 briefing presents original analysis from the Legatum Institute using the Social Metrics Commission's approach to poverty measurement. It considers the poverty impacts of the Chancellor's Cost of Living announcement on 26 May 2022.

At the beginning of the 2022-23 financial year, benefits were uprated by 3.1% - the rate of inflation (CPI) in September 2021. Inflation has since risen, reaching 9% in April 2022ⁱ and the Bank of England forecast peak inflation of over 10% in Q4 2022.ⁱⁱ As such, the 3.1% uprating implemented represented a significant real terms cut in benefit levels.

However, the announcement by the Chancellor on 26 May 2022 will help mitigate the worst of the impact of the cost of living crisis for Britain's most vulnerable families.

This briefing considers the poverty impact of the Chancellor's announcement of a £15bn support package to help UK households facing a further rise in energy bills this Autumn. This package consists of:

- A £650 one-off payment to recipients of means-tested benefits;ⁱⁱⁱ
- A £150 one-off payment to recipients of extra-cost disability benefits;
- A £300 one-off payment to recipients of Winter Fuel Payment;
- A £400 discount on energy bills, applied to all households; and
- A £500m increase and extension of the Household Support Fund.

The Chancellor's measures as a whole aide the people who need it most and will shield more than half a million people from poverty. However, It finds that, the £400 discount provided to every household should have been targeted to build on the support provided to low-income households.

This briefing builds on our previous work,^{iv} which provides detailed methodological notes. These should be regarded as our best assessment of the likely impact of the changes.

SUMMARY OF FINDINGS

The package of measures announced by the Chancellor will reduce the number of people in poverty in Q2 2022 by 650,000.

Nearly half of those supported to remain out of poverty are in working families.

310,000 of those protected from falling into poverty are in working families, while only 130,000 of those affected are in workless families. The remaining 210,000 affected are in families where all adults are retired.

The majority of those supported to remain out of poverty are in families that include a disabled person. 390,000 of those protected would be in families that include a disabled child or adult.

Nearly a quarter of a million pensioners will be shielded from poverty. 240,000 pensioners will be protected from falling into poverty, while 270,000 working-age adults will be protected from falling into poverty.

The greatest impact is felt in Northern England. 220,000 people are protected from poverty in Northern England, with 90,000 protected from falling into poverty in the Midlands.

Table 1: Reduction in poverty (numbers of people) due to government support.

	Reduction in Poverty
Overall	650,000
By age	
Working-age adults	270,000
Children	140,000
Pensioners	240,000
By family work status	
People in working families	310,000
People in (working age) non-working families	130,000
People in retired families	210,000
By disability	
People in families that include a disabled person	390,000
People in families that do not include a disabled person	260,000
By region	
Northern England	220,000
Midlands	90,000
Southern England	140,000
London	70,000
Scotland	50,000
Wales	40,000
Northern Ireland	30,000

Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2019/20), IPPR tax and benefit model.

ANNEX 1: THE SOCIAL METRICS COMMISSION'S MEASURE OF POVERTY

This briefing uses the Social Metrics Commission's measure of poverty as the basis of its analysis. The SMC was established in 2016, as a response to the fact that the UK no-longer has official poverty measures agreed and used by Government. It is hosted by the Legatum Institute and is dedicated to helping policymakers understand and take action to tackle poverty and build prosperity. Its membership includes people from across the political spectrum as well as poverty and measurement experts. The Commission's primary goals have been to develop new poverty metrics for the UK which both:

- Have long-term political support; and
- Effectively identify both those who are in poverty and their experiences of poverty.

The SMC's landmark report in 2018 outlined a new approach to measuring poverty. As well as looking at incomes, this approach allows us to account for a range of inescapable costs that reduce people's spending power, and the positive impact of people's liquid assets on alleviating immediate poverty. These inescapable costs include rent or mortgage payments, childcare and the extra costs of disability. Liquid assets include savings, stocks and shares. The measure also takes account of overcrowding in accommodation. As well as a more accurate reflection of a family's ability to make ends meet, the SMC's poverty measure tracks:

- The degree to which a family is below the poverty line
- The length of time that a family is below the poverty line
- The experience of living in poverty.

Following the 2018 report, and an update in 2019, the Commission's approach received support from across the political spectrum and from a wide range of experts and people involved in taking action to tackle poverty.

In the summer of 2019, the Government committed to establishing Experimental Statistics for poverty based on the SMC's approach; this is the first step to developing new national statistics on poverty.

Data used in this briefing:

Family Resources Survey: Department for Work and Pensions, Office for National Statistics, NatCen Social Research. (2021). *Family Resources Survey, 2019-2020*. [data collection]. UK Data Service. SN: 8802, [DOI: 10.5255/UKDA-SN-8802-1](https://doi.org/10.5255/UKDA-SN-8802-1)

Households Below Average Income: Department for Work and Pensions. (2021). *Households Below Average Income, 1994/95-2019/20*. [data collection]. *15th Edition*. UK Data Service. SN: 5828, [DOI: 10.5255/UKDA-SN-5828-13](https://doi.org/10.5255/UKDA-SN-5828-13)

SMC methodology

More details of the SMC's approach to poverty measurement can be found here: <http://socialmetricscommission.org.uk>

ⁱ ONS, (2022). CPI Annual Rate. See:

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23>

Accessed 23/05/2022

ⁱⁱ Bank of England (2022). Monetary Policy Report May 2022. See:

<https://www.bankofengland.co.uk/monetary-policy-report/2022/may-2022> Accessed

23/05/2022

ⁱⁱⁱ Means-tested benefits include:

- Universal Credit;
- Income-based Jobseekers Allowance;
- Income-related Employment and Support Allowance;
- Income Support;
- Working Tax Credit;
- Child Tax Credit and
- Pension Credit.

^{iv} Legatum Institute, (2020). Poverty during the Covid-19 crisis. See:

<https://li.com/reports/poverty-during-the-covid-19-crisis/> Accessed 07/03/2022.