



**BRIEFING:**

**THE POVERTY IMPACT OF  
UPRATING BENEFITS IN  
LINE WITH INFLATION**

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 uprating of benefits for the 2022-23 financial year, in Q2 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 2022<sup>i</sup> and the Bank of England forecast peak inflation of over 10% in Q4 2022.<sup>ii</sup> As such, the 3.1% uprating implemented represents a significant real-terms cut in benefit levels.

However, future uprating of benefits will reflect this increases in prices. This is because uprating for the 2023-24 financial year is due to be based on year-on-year inflation in September 2022, meaning that it is likely that an uprating of around 10% will be scheduled for April 2023. This is likely to be a significant real-terms increase in benefit levels.

What results is a living-costs roller-coaster, with benefit incomes falling significantly in the 2022-23 financial year only to rise sharply in the 2023-24 financial year. A greater uprating now, followed by a lesser uprating in April 2023, would smooth the path of benefit rates while protecting large numbers from poverty in 2022.

This briefing considers the poverty impact, in Q2 2022, of uprating all benefits in line with inflation: i.e., by 10%.<sup>1</sup> This poverty impact is relative to poverty under current benefit levels.

This briefing builds on our previous work,<sup>iii</sup> which provides detailed methodological notes. These should be regarded as our best assessment of the likely impact of the changes.

---

<sup>1</sup> Throughout, uprating by 10% means setting 2022-23 benefit levels so that they are 10% higher than 2021-22 benefit levels. We do not model a 10% increase on top of present 2022-23 benefit levels.

## SUMMARY OF FINDINGS

---

***Uprating all benefits, including the state pension, in line with inflation (by 10%) would reduce the number of people in poverty in Q2 2022 by 780,000.***

***The majority of those affected are in working families.*** 420,000 of those protected from falling into poverty are in working families, while only 140,000 of those affected are in workless families. 290,000 of the affected are working-age adults.

***Nearly half a million people in families that include a disabled person would be shielded from poverty.*** 470,000 of those protected would be in families that include a disabled child or adult. The majority of those affected (60%) are in such families.

***Nearly a quarter of a million children would be shielded from poverty.*** 230,000 children would be protected from falling into poverty. Similarly, 250,000 pensioners would be protected from falling into poverty.

***Uprating all benefits in line with inflation (by 10%) will cost £12.7bn over the course of the 2022-23 financial year.***

***Costs can be minimised by ensuring that uprating in April 2023 takes account of this additional uprating.*** The government can avoid facing additional costs in the long-term by basing 2023-24 benefit awards on 2021-22 levels, uprated by the ratio between September 2022 CPI and September 2020 CPI. This will avoid the modelled 10% uprating feeding through into higher benefit awards in subsequent years.

**Table 1: Reduction in poverty (numbers of people) due to 10% benefit uprating.**

	Reduction in Poverty
Overall	780,000
<b>By age</b>	
Working-age adults	290,000
Children	230,000
Pensioners	250,000
<b>By family work status</b>	
People in working families	420,000
People in (working age) non-working families	140,000
People in retired families	220,000
<b>By disability</b>	
People in families that include a disabled person	470,000
People in families that do not include a disabled person	310,000
<b>By region</b>	
Northern England	250,000
Midlands	120,000
Southern England	180,000
London	90,000
Scotland	60,000
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.

**Table 2: Cost of uprating all benefits by 10% in 2022-23 financial year.**

	<b>Uprating all benefits by 10%</b>
Cost	+£12.7bn

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>

---

<sup>i</sup> ONS, (2022). CPI Annual Rate. See:

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

Accessed 23/05/2022

<sup>ii</sup> 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

<sup>iii</sup> Legatum Institute, (2020). Poverty during the Covid-19 crisis. See:

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