Financial Security - Three Proposals for the Autumn Budget

Creating a society that protects the vulnerable and shares the rewards of prosperity is an urgent national challenge. As organisations working closely with, and on behalf of, the many families and individuals facing financial insecurity we have come together to share our collective experience and expertise, and make the following three proposals to the Government for the Autumn Budget:

• make work pay;
• fix Universal Credit delays;
• help incomes to rise in line with living costs.

The problem

Cuts to the work allowances in Universal Credit have undermined the ability of the new system to make work pay. The delay to Universal Credit payments is pushing people into debt and destitution. And rising prices and frozen benefits are causing a squeeze on living standards.

The Institute for Fiscal Studies says changes to the social security system will leave 1 in 7 people with a lower income in five years’ time.

Three proposals

The Autumn Budget provides an opportunity to make work pay, fix delays in the rollout of Universal Credit and address the squeeze on family finances.

Proposal one: make work pay for at least one earner in a family - restore the work allowance

Making work pay is a key aim but has been undermined by cuts. Restoring the work allowance levels would help to redress this and ensure Universal Credit fulfils its potential. Gingerbread analysis shows the average single parent loses £800 a year by 2020 from the work allowance cut alone – some will lose over £2,000. And only by adding a work allowance for second earners will Universal Credit make work pay for everyone.

Proposal two: ensure the successful roll-out of Universal Credit - pay Universal Credit after two weeks

It is evident that the roll-out of Universal Credit is facing a number of difficulties. Many recipients have reported a wait of six weeks or even longer, to receive their first payment. Most people would struggle to last six weeks with no income. When that happens to people already struggling, and without warning, the resultant problems are more severe. People are tipped into debt or destitution, forced to turn to food banks, suffer increased mental health problems, or find it harder to pay rents, as noted recently by the Residential Landlords Association.

These experiences threaten the reputation of the project and cause severe hardship. The Government should reduce the maximum waiting time for payment to two weeks to prevent these avoidable problems.
Proposal three: ensure incomes progress in line with living costs - end the freeze on Child Benefit and other social security payments such as Local Housing Allowance

For many people, prices and unavoidable costs are rising rapidly, while incomes are not. Projections by CPAG show social security payments rising by 3% between 2012 and 2019, while prices will have risen by 12%. The Children’s Society has said that more than seven million children will be affected by the continued freeze on Child Benefit and other social security payments. Millions of families, whether in or out of work, risk being further squeezed financially. Government can help by ending the freeze on Child Benefit and other social security payments.

These three proposals would help ease the strain on millions of UK households both in and out of work and improve financial security.

Adopting these proposals is vital to help prevent households across the UK from being tipped into debt, and provide financial security for all.

Laura’s story

Laura is a single mum with a young child. She was previously on Income Support but, when her child turned five, she was moved over to Universal Credit. She and her child waited over seven weeks to receive their first Universal Credit payment. This resulted in significant rent arrears and they risked losing the roof over their head. Laura did apply for a benefit advance, but this wasn’t processed in the correct way and she did not receive that for seven weeks either. This caused Laura great distress at a time when she was studying for exams.

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