Emergency response measures to the Cost-of-Living Crisis

Introduction

The Cost-of-Living catastrophe risks plunging thousands of people into destitution this winter unless immediate action is taken by the Northern Ireland (NI) Executive. The health and well-being of people living in poverty will suffer the consequences of the inability to meet their material needs.

A group of policy experts and people with lived experience of poverty have come together to call on the NI Executive to activate four emergency interventions to mitigate some of the worst effects of inflation and to prevent those on the lowest incomes from suffering destitution. The measures can help households get through the winter with the dignity of being more able to afford the most basic essentials.

The measures have been costed based on a six-month period running from October 2022 – April 2023. We acknowledge that the policy interventions are a temporary solution and as such will provide temporary relief. Ultimately, we urgently require the implementation of the long awaited for Anti-Poverty Strategy first promised in the Northern Ireland Act 1998 as well as the publication and fulfilment of the Review of Welfare Reform Mitigations and the implementation of the recommendations contained in the recent Review of Discretionary Support.

If our politicians do not act now, we risk collectively standing over a humanitarian calamity of epic proportions.

Social Determents of Health:

"Benefit levels are one of the key drivers of poverty rates, in combination with levels of work and earnings. When working well the wider benefit system can act to support people to leave poverty and to signpost further support. If it does not work well it can cause claimants a lot of anxiety, affecting their wellbeing and mental health." (JRF, 2022)

- The gradient in healthy life expectancy is steeper than that of life expectancy. This means that people in deprived areas spend more of their shorter lives in ill-health than those in less deprived areas (Marmot et al, 2020).
- The amount of time people spend in poor health has increased since 2010. Inequalities in poor health harm individuals, families, communities and are expensive to the public purse, as more pressure is exerted on acute services. Inequalities are unnecessary and can be reduced with the right policies (Marmot et al, 2020). We argue that by putting in place these emergency response measures, the NI Executive can mitigate the ripple effect of extreme poverty.

1. Pause debt deductions for six months (October 2022 – March 2023)

Stop social security debt deductions from low-income households to provide breathing space and to maximise monthly income.

Estimated Cost: £0

There would be no outlay cost to the NI Executive. This policy could be activated **immediately**.

Who would be impacted by this?

Claimants who are currently repaying social security debt by way of regular deductions from their benefit payments.

How can this be done?

- The Department for Communities can implement this policy immediately as it is at their discretion when to apply debt reductions and how much.
- At present the Department for Communities does not undertake an assessment as to whether a family can afford debt deductions. The burden is on the claimant to seek lower debt deductions.
- We support the approach taken in the Republic of Ireland, where the following factors are taken into consideration before activating debt deductions:
  - Ability to repay
  - Any relevant facts or circumstances that have been raised
  - The amount of the overpayment and how it happened.

If social security debt deductions were paused until the end of March 2023, how can debt deductions be transitioned back out of claimants' monthly payments?

- If debt deductions are to be reintroduced in April 2023, a gradual approach should be taken to slowly reintroduce them - for example, 3% in April, 7% in May, 11% in June and 15% in July. In the Republic of Ireland, a maximum of 15% can be taken from the personal weekly rate of the claimant's social security payment to service debt. This aligns with a recent recommendation from Joseph Rowntree Foundation (JRF) who suggest the cap should be lowered to 15%. The Work and Pensions Committee has recommended that it should be lowered to 10%.
- Change the maximum number of debts that can be taken from Universal Credit at any one time which currently stands at three. Following the pause – these should be slowly re-introduced one at a time.
- Affordability checks could be introduced in April 2023 to find out whether a household can afford repayments. Introduce a single 'one stop shop' point of contact for those affected by deductions.

- Overall, we suggest improving communications by providing sufficient notice and clear information about deductions, and signposting to free debt advice.

Why is this important?

- People who owe debt, for example, a Discretionary Support loan or a Universal Credit Advance (which can be accessed to get through the five-week wait period), a Tax Credit overpayment or a Budgeting or Crisis Loan can have the money taken from their benefit payments to service these debts.
- These debt deductions are a key factor in pushing individuals into destitution (JRF, 2022). The Trussell Trust also emphasised that 'taking money off already low levels of benefit can push people into destitution and needing to turn to a foodbank" (Trussell Trust, 2020)
- The Work and Pensions Committee reported that in February 2022, 45% of Universal Credit claims had a deduction, with an average **of £62 deducted**. If we consider that a single person on Universal Credit receives £334.91 per month (£265.31 if under 25) then this equates to over 18% of an individual's standard allowance. £62 would go some way to supporting individuals to meeting their essential needs.

Conclusion:
Pausing debt deductions is an expedient way to give those households on the lowest incomes some breathing space over the winter months. It will ensure that families are better able to meet the costs of their basic essentials to enable them to have a standard of living that preserves a level of dignity. This measure also has the advantage of having no outlying cost and therefore it is suggested that this measure could be implemented by the current Minister.

2. Reinstate the £20 uplift and extend to legacy claimants

Target more cash to working and non-working households to give families the dignity of affording basic essentials.

Estimated Cost: £143, 504, 720 (6 months, October 2022 - March 2023)

Who would receive this payment?

Those in work (28% of Universal Credit claimants are in work, 37, 630) and those out of work who are in receipt of Universal Credit. (DfC, UC Statistics, May 2022)

Those in receipt of means tested Jobseekers Allowance, Employment and Support Allowance, Income Support, Working Tax Credit and Child Tax Credit.

How can this be done?

Northern Ireland has significant devolved powers in respect of social security.

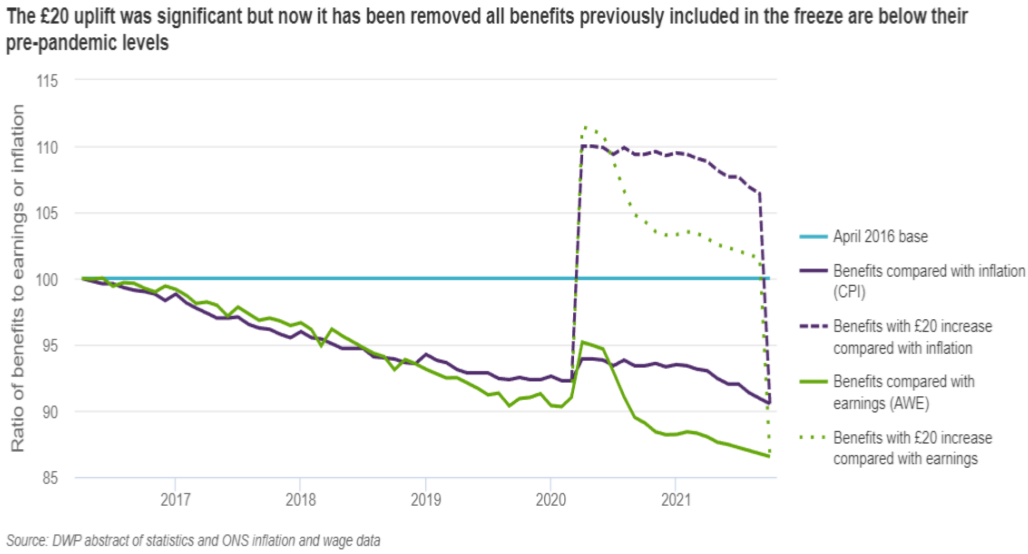
A welfare supplementary payment can be paid to all Universal Credit and legacy benefit claimants in Northern Ireland. An Executive would be required to approve this decision. This could be administered by the Department for Communities, in the same way that other welfare supplementary payments have been, and continue to be, paid.

This would be slightly more complicated for those claimants who receive Tax Credits, as these benefits are administered by HMRC. We recommend that a single payment of £500 is paid to these claimants, similar to what happened during the Covid-19 pandemic. This would require co-operation between DfC and HMRC in London.

Why is this important?

- Benefit levels are too low. They do not meet the costs of essential household needs. This has been significantly compounded by the Cost-of-Living emergency.
- Without the uplift, benefits for the unemployed are at their lowest real-terms level since the early 1990s. Had they grown in line with GDP per capita since 1990, they would be **£40 a week higher**.
- From April 2016 – April 2020, benefits were frozen and did not rise with inflation, which alone wiped almost 8% off the value of benefits, with other cuts on top of this.
- The Joseph Rowntree Foundation said that the provision of the £20 Universal Credit uplift during the pandemic could be seen as "an acknowledgement that the social security lifeline was not strong enough to adequately protect families from harm in difficult times" (JRF, 2021)
- Recent New Economics Foundation (NEF, 2021) modelling projected that when the uplift was removed, 21.4 million people, including 7 million children across the UK, would live in households that do not have the amount they need to afford the basics.
- According to the Department for Communities, the £20 uplift, which translated to £86.67 per month, was withdrawn from 134,000 people in Northern Ireland from October 6, 2021. Over 44,000 households with children have a Universal Credit claim in payment meaning that around 83,930 children were impacted by its removal (DfC, 2021)
- Both the £20 uplift and increased in-work support **lifted hundreds of thousands of individuals out of poverty**. The effect of this on the value of out-of-work benefits relative to inflation and earnings is shown on the chart below.
- The uplift helped to compensate for the cuts that have occurred since April 2016 due to the benefit freeze but it wasn't applied to all benefits (legacy benefits). Now, the basic rates for benefits previously included in the freeze are below their pre-pandemic levels once inflation has been taken into account, declining by 9% compared with inflation, or 13% compared with earnings over the last five years.

The impact of the additional £20 on poverty levels



([Source: JRF, UK Poverty 2022])

3. A one-off payment of £500 to those entitled to disability benefits or Carer's Allowance

To recognise the additional costs of disability and caring.

Estimated Cost: £194, 617, 484

Who would receive this payment?

Those in receipt of children's Disability Living Allowance (DLA), Personal Independence Payment (PIP), Attendance Allowance (AA) and Carer's Allowance.

How can this be done?

The Department for Communities (DfC) has been making direct payments to account for the Cost-of-Living emergency since May 2022. The next payment is due in October. We are asking that an additional payment is made in December 2022/January 2023 in recognition of the additional and increasing costs of disability and caring.

Why is this important?

- Life is more expensive for disabled people, spending more on essential goods and services such as heating, equipment, and therapies.
- Carer's Allowance is the main welfare benefit to help carers, yet it is amongst the lowest benefit of its kind at £69.70 a week and many carers are struggling to get by.
- Life costs more for disabled people and carers as they need to spend more on essential goods and provisions such as heating, electricity, fuel, and equipment to achieve an

acceptable living standard – for many these are not optional extras and cannot be cut back.

- Additional costs mean disabled people and carers have less disposable income and are therefore, more likely to have a lower standard of living and experience barriers to participating fully in society. This has serious profound implications for their health, wellbeing, and overall quality of life.
- As the Cost-of-Living emergency intensifies, those in receipt of disability benefits and Carer's Allowance are most likely to be hit the hardest. A one-off payment of £500 would provide necessary financial support to those who experience unfair living costs and would help mitigate severe hardship and poverty that those with disabilities and carers are increasingly experiencing.
- The charity Scope estimates that on average, people with disabilities face an additional cost of £583 per month and for one in five people this goes up to more than £1,000 per month[1].
- More recently, Disability Action NI found that **78% of disabled people said they do not have enough money to have a decent standard of life**[2].
- While research from Carers NI found that Carer's Allowance is the amongst the lowest paid benefit of its kind and 46% of people in receipt of Carers Allowance said they struggle to make ends meet, with over a quarter (27%) experiencing some form of debt[3].

Conclusion:

The disproportionate impact of poverty on those with disabilities and carers has been exacerbated by the Cost-of-Living emergency and available benefits are now falling further behind as the rate of inflation increases. Therefore, it is imperative that a one-off payment is urgently provided to support those who are at the sharp end of this Cost-of-Living emergency to help ease the financial burden on the most impacted households in Northern Ireland.

4. Remove the two-child limit for Universal Credit and Child Tax Credit

Families should receive benefit entitlement for every child to ensure that no child goes hungry.

Estimated cost: £32m for six months October 2022 – March 2023 (£56m for a year) (NIHRC, 2020, p109)

Who would receive this payment?

[1] Scope (2019) Disability Price Tag report

[2] Toman, N. et al (2022): Progress towards the implementation of the UNCRPD in Northern Ireland, page 11 (Disability Action for ECNI).

[3] Carers NI (2021) State of Caring 2021: A snapshot of unpaid care in Northern Ireland

Those in receipt of Universal Credit, Child Tax Credit or Income Support with dependants allowance, with three or more children where the third or subsequent child was born on or after 6 April 2017.

How can this be done?

Northern Ireland has significant devolved powers in respect of social security.

A welfare supplementary payment can be paid to all Universal Credit claimants in Northern Ireland. An Executive would be required to approve this decision. This could be administered by the Department for Communities, in the same way that other welfare supplementary payments have and continue to be paid.

This would be slightly more complicated for those claimants who receive Tax Credits, as these benefits are administered by HMRC. We recommend that the Department for Communities work in co-operation with HMRC to ensure Tax Credit claimants can receive this payment. A possible solution would be to make two separate payments to Tax Credit claimants, similar to what happened during the Covid-19 pandemic.

Why is this important?

- Families unable to claim Universal Credit or Child Tax Credit for a third, or additional child, lose out on **£2,935 per child, per year**.

- Poverty has damaging effects on children, their early learning and development and on their life chances. Living in poverty negatively affects children's health and education outcomes (Cooper & Stewart, 2020) Many families impacted by the two child limit were already struggling to get by, and the Cost-of-Living emergency will make an already difficult situation, impossible.

- The two-child limit has large negative impacts on households with three or more children by definition. It is likely to have a bigger impact in Northern Ireland due to there being a greater proportion of households with three or more children than elsewhere in the UK. The average family size is larger in Northern Ireland than in the rest of the UK with ONS statistics showing that 21.4% of families in Northern Ireland have three or more children, compared to 14.7% of families in the UK as a whole. (NIHRC, 2019, page 22)

- The Northern Ireland Human Rights Commission (NIHRC) have proposed a series of eight mitigation measures for a new mitigations package which includes offsetting the two-child limit. It shows that in terms of annual gain per affected household offsetting the two-child limit has the biggest impact of all the measures at £3,325. (NIHRC, 2019, page 109)

- By definition, the offset of the two-child limit only has impacts for households with children. The demographic group which benefits most from the mitigation measures is lone parents, with just under £400 of these gains due to the offset of the two-child limit. The offset of the two-child limit for couples with children also has the biggest impact of any particular mitigation measure for this group (with average gains of around £225 per year). (NIHRC, 2019, page 119)

- Women lose more on average from welfare reform measures than men mainly because they are more likely to be receiving benefits and Tax Credits. NIHRC proposals on offsetting the two-child limit show that the offset of the two-child limit would have larger impacts for women than men. This is mainly because lone parents are more likely to receive these mitigations than other groups. (NIHRC, 2019, pages 123-130)

- Welfare reform changes, including the introduction of the two-child limit, had greater impacts on women than men, households with children (especially lone parents) than households without children, poorer households and on households with three or more children. (NIHRC, 2019) Removing the two-child limit is one way to ensure that those who have been most affected by welfare reform receive targeted help to meet their essential bills.

- Child poverty levels in Northern Ireland are expected to rise reaching as high as 25% or one in four children in 2024/25. One of the drivers behind the projected increases in child poverty is the growing number of families affected by the two-child limit. Removing the two-child limit would mean 11,000 fewer children in poverty by 2024/25 and ensure child poverty in Northern Ireland stays below the pre-pandemic level. (Save the Children & CPAG, 2021)

- In all areas of Northern Ireland at least one in five children were growing up in poverty, while in some areas it was as high as one in three children. The risk is even greater for families with **children under 5, children of single parents, and children with two or more siblings.** Save the Children and CPAG have found that removing the two-child limit in Northern Ireland would lift 6,000 children out of poverty with a 4-percentage point reduction in child poverty in families with three or more children. (Save the Children & CPAG, 2021)

- The Children's Commissioners of Northern Ireland, Scotland and Wales have called for an end to the two-child limit. They claim the limit is a *"clear breach of children's human rights including the right to an adequate standard of living"* and that it is contributing to a rising gap in poverty levels between families with three or more children and smaller households. (NICCY, 2021)

Conclusion:

The two-child limit is increasingly pushing families in Northern Ireland into poverty, and we expect this to worsen with the Cost-of-Living emergency. Every single child in society deserves the same opportunities in life. Growing up in poverty impacts on a child's development, health, well-being and on their ability to learn. Removing the two-child limit will improve children's ability to reach their full potential.