

UK Government's income measures in response to COVID-19

ESPN Flash Report 2020/30

JONATHAN BRADSHAW AND FRAN BENNETT – EUROPEAN SOCIAL POLICY NETWORK

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The UK has announced major new policies to protect employment and incomes as a result of the lockdown of non-essential workers and the wider impact of COVID-19. But there remain gaps in the response which unless filled will result in a significant increase in poverty and hardship.



Description

Since introducing the lockdown to stop the spread of the COVID-19 virus on 23 March 2020, the UK Government has announced unprecedented measures to protect jobs and maintain incomes. The most important are: employers having to furlough employees for 3 weeks or more can claim 80% of their pay up to a maximum of £2500 (€2825) per month for at least 3 months (extended until the end of October) for anyone on the Pay-As-You-Earn (taxable) payroll on 28 February (now 19 March) 2020, though after the end of July furlough workers will be able to return to part-time work and the 80% figure may be reduced; employees on sick leave or self-isolating who qualify can get Statutory Sick Pay; the established self-employed with profits under £50,000 (€56,500) per year may access a grant of 80% of annual average profits over the past three years up to a maximum of £2500 (€2825) per month for March-May 2020 (which may be extended); the standard allowances in means-tested Universal Credit (UC) and Working Tax Credit (WTC) are increased by £20 (€22.60) per week for a year; work search requirements for Jobseeker's Allowance (JSA) / UC are suspended for three months; the local private rent limit for housing benefit / UC has been increased to cover a higher proportion of rent; a £500 (€565) million hardship fund enables local authorities to reduce Council Tax liability for those in receipt of Local Council Tax Support, to enhance Local Welfare Assistance Funds etc.; the pilot managed transfer of claimants from the "legacy" (old) working age benefits

(mainly JSA, Employment and Support Allowance and Tax Credits) to UC was suspended; and the assumption that the self-employed will earn the equivalent of the minimum wage for the hours they are expected to work in assessing UC is also suspended. Some (not all) benefit overpayments will no longer be pursued.

Some measures are for England and Wales; but separate action in Scotland and Northern Ireland tends to mirror these or go further.



Outlook and commentary

Although this is unprecedented state intervention in the market and a huge increase in public expenditure (with many additional commitments to business, transport and the National Health Service), there are still major gaps in provision.

Rates for children in in-work or out-of-work benefits have not been increased. The Government announced food vouchers for children on benefits-related free school meals at home due to school closures. Scotland, Northern Ireland and Wales made this a cash payment but England perseveres with vouchers (£15 [€17] per week). This operates online, so parents without internet access may lose out. Free school meals only cover 20% of school-aged children, vouchers do not cover all under-8s getting universal free meals, and with many people losing their incomes child hunger is bound to increase. Child poverty had

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already grown due to austerity measures. If the current situation is not addressed urgently, it will increase further. The Trussell Trust reports an over 80% increase in demand on its food banks in the last half of March compared to 2019. Some End Child Poverty Coalition members called on the Government to increase child benefit by £10 (€11.30) per child per week and a large number of social policy academics called for an increase to £50 (€56.50). Others called for child tax credits and UC rates for children to be raised. Other ideas include a wider emergency income support scheme or a universal basic income.

Some will find it hard to heat their homes because the lockdown increases their costs, and to buy food as some prices are being put up. The increase in UC and WTC will not benefit families subject to the "benefit cap" limiting out-of-work benefits. It does not apply to non-earners still on "legacy" benefits as they have not yet moved to UC. Some may now have an incentive to claim UC, which by 12 April had seen over 1.5 million new claims since 1 March.

A major reason for these new claims and others likely in future is that the Job Retention Scheme and support for the self-employed are not comprehensive. Employers are dismissing workers rather than laying them off and employees working for reduced hours instead may have to claim UC if this is long term. The self-employed who have less than three years' tax records cannot get help and may need to claim UC. The Department for Work and Pensions has redeployed 10,000 staff to process UC claims, and is recruiting more; but the backlog may last and once a claim is processed there are still five weeks to wait before payment (leaving aside repayable advances). The UC amount is much lower than the Minimum Income Standard and a minimum wage earner's income: £94.59 (€106.89) per week for a single claimant aged 25 or over. The Chairs of two Select Committees wrote to Ministers about their concern for people with no recourse to public funds. And the UN Special Rapporteur criticised the UK government response because many effects of austerity policies will continue.

Further reading

Child Poverty Action Group:

<https://cpag.org.uk/news-blogs/news-listings/poor-children-need-coronavirus-bonus>

Department for Work and Pensions oral evidence to Work and Pensions Committee on response to pandemic, 23 April 2020:

<https://committees.parliament.uk/event/787/formal-meeting-oral-evidence-session/>

Government information on

school meal vouchers:

<https://www.gov.uk/government/publication/s/covid-19-free-school-meals-guidance/covid-19-free-school-meals-guidance-for-schools>

hardship fund for local authorities:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874867/COVID-19_Council_Tax_Hardship_Fund_Guidance.pdf

suspension of debt recovery from benefits:

<http://www.gov.uk/government/news/recovery-of-benefit-overpayment-suspended>

HM Revenue and Customs:

Coronavirus Job Retention Scheme:

<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>

Self-employment Income Support Scheme:

<https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

House of Common Library:

<https://commonslibrary.parliament.uk/insights/coronavirus-claiming-welfare-benefits/>

<https://commonslibrary.parliament.uk/research-briefings/cbp-8880/>

<https://commonslibrary.parliament.uk/research-briefings/cbp-8894/>

Resolution Foundation:

<https://www.resolutionfoundation.org/publications/next-steps-to-support-family-incomes-in-the-face-of-the-coronavirus-crisis/>

Trades Union Congress:

<https://www.tuc.org.uk/research-analysis/reports/protecting-workers-jobs-and-livelihoods>

Women's Budget Group:

<https://wbg.org.uk/blog/briefing-covid-19-and-gender-issues/>

Author

[Jonathan Bradshaw](#) (University of York) and Fran Bennett (independent social policy expert)

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