Covid-19 response: potential welfare package

In considering the measures below you should note:

- Most measures can be reversed, in some cases only after a year; to do so you would have to make clear upfront the intention to reverse.
- The costs assume some caseload growth due to Covid-19. However these costs are highly uncertain and are likely to underestimate the full impacts.
- DWP and HMRC are facing significant operational delivery pressures and are likely to make a large DEL bid to cover additional overtime and recruitment:
    - Four-fold increase in new UC claims as of yesterday;
    - 11,000 DWP staff absences yesterday (out of 61,000 service delivery staff).

All measures are **GB-wide** with exception of Discretionary Housing Payments, noted below.

1. Package, subject to affordability

Measure	Explanation	Delivery	20/21 cost	Legislation	Pros and cons	Announcement
Increase Standard Allowance in UC	Increases generosity of benefits to all new and existing UC claimants	Deliverable from 6 April if decision made now. Cannot be done in-year. Could be reversed after 12 months (as part of annual uprating cycle).	1. TUC option to reverse benefits freeze = £1.7bn 2. £20pw increase = £3.5bn 3. Increase to £100p/w Res Foundation option = £7bn All options scaleable	Secondary legislation	• Benefits c.3m households (will rise) • Simplest and most straightforward to operationalise	I am temporarily increasing the amount of benefits that all UC claimants receive from April 2020 by [£x] per week - strengthening the safety net for people who lose their job or see their income fall

Measure	Explanation	Delivery	20/21 cost	Legislation	Pros and cons	Announcement
Increase LHA rates in UC and Housing Benefit to the 30th percentile of market rents	Increase LHA rates to cover the bottom third of the rental market.	6 April for UC May for Housing Benefit Politically very difficult to reverse	£800m (rising to £1.6bn in 24/25)	Secondary regulations	• Benefits PRS renters on UC or HB (1.2m households but likely to rise) BUT: • Does not benefit SRS renters • Politically very difficult to reverse	From [x] we will give additional financial support for private renters who have to claim UC to support them through this period.
Increase Basic Rate in Working Tax Credit	Increases generosity of benefits to all existing Working Tax Credit claimants (WTC closed to new claims)	Deliverable from 6 April Could be reversed after 12 months (as part of annual uprating cycle).	1. TUC option to reverse benefits freeze costs £0.9bn 2. £20pw increase costs £1.8bn 3. Equivalent Res Foundation option = £3.6bn All options scaleable	Secondary affirmative Requires primary legislation later to legalise payments already made	• Benefits c.1.6m households • Will discourage people from voluntarily moving onto UC BUT • Does not cover rest of legacy system, which cannot be increased before April 2021	I am temporarily increasing the amount of benefits that all WTC claimants receive from April 2020 by [£x] per week – strengthening the safety net for people who lose their job or see their income fall

2. Potential options to go further

Measure	Explanation	Delivery	20/21 cost	Legislation	Pros and cons	Potential announcement
Reduce the income disregard in WTC	Ensures drops in income are reflected in people's Tax Credit award (currently drops up to £2.5k pa are disregarded)	Deliverable from 6 April	£0.5bn - £1bn	Secondary affirmative Requires primary legislation later to legalise payments already made	Would benefit claimants by up to £19 per week.	I am ensuring that everyone on WTC who sees a drop in their income has this reflected in their benefit award.
Stop applying UC Minimum Income Floor for all new and existing self-employed claimants	MIF currently only suspended for those self-isolating. Measure would extend to cover broader economic impacts on self-employed people	Involves manual workaround therefore operational risk	£0.5bn (static)	Secondary legislation	• Would benefit all self-employed claimants on UC whose earnings are / drop below the MIF • Helps self employed people stay in work even working low hours	I am suspending the MIF for all self-employed people on UC - so that their benefits rise to reflect drops in their income

3. Other measures

There are several other measures which are potentially viable but carry significantly more risk given the increasing demands on DWP and reducing workforce supply. The following measures therefore risk overloading the system, particularly if done together.

Measure	Explanation	Delivery	20/21 cost	Legislation	Benefits and risks	Announcement
Change UC upfront advance from loan to non-recoverable grant	Would support new UC claimants with 5 week wait for first payment, without getting into debt	DWP resistant because of large amount of manual process	£2.1bn	None	Would not benefit existing claimants including those with outstanding advances.	From [X date] new UC claimants will receive an upfront grant to support them until they receive their first UC payment
Pause all debt deductions in UC and Tax Credits	Supports new and existing claimants with debt, ensuring they keep more of their benefits	DWP resistant because of large amount of manual process	PSNB neutral Significant unknown PSND impact	UC: tbc Tax Credits: existing powers	Would benefit c. 1.6m people on UC and 700k on Tax Credits with an existing debt deduction	We are pausing all recovery of debt from welfare claimants from [X date]
Increase Discretionary Housing Payments (alternative / supplement to LHA) (E&W only; Scotland would expect same quantum of uplift)	Increase DHP pot for 20/21 (currently £180m)	Immediate but burdensome for LAs to deliver. Easily reversible by setting a lower pot in future years.	Scaleable DEL pot	None	• Enables LAs to target renters in distress. BUT: • Does not address underlying problem with LHA. • Relies on renters approaching LAs.	From [x] we will give £[x]bn to Local Authorities to provide an emergency pot to support [any] renter worried about paying the rent.
Increase Statutory Sick Pay (SSP) Generosity	Increase generosity of Statutory Sick Pay (currently £94.25 pw, rising to £95.85 pw on 6 April)	Ability for businesses to deliver will depend on their payroll software	1. **£10 pw increase** (so £104.25 pw new rate): **All businesses**: £266m pw	Secondary Legislation	• Benefits up to 26.6m employees (although 68% receive more than SSP). BUT	We will increase the level of Statutory Sick Pay that employees are eligible to receive from their employer

Measure	Explanation	Delivery	20/21 cost	Legislation	Benefits and risks	Announcement
		Will increase fraud risk of rebate but not delivery time	**SMEs**: £115m pw (covered by Govt for first 2 weeks)		• Stakeholders calling for sig. more (Res F £160) • Increases burden on business. • Increasing SSP above £118pw will mean it pays to be off sick for some people.	by [x] per week from April 2020.
Remove SSP Lower Earnings Limit (LEL)	Remove £118 pw Lower Earnings Limit that currently prevents low paid workers from accessing SSP	More complicated than increasing SSP – timings likely months.	At current rates (e.g. £95.85 pw): **All businesses**: £370m pw **SMEs**: £150m pw (covered by Govt for first 2 weeks)	Primary legislation	• Brings c2m employees into SSP eligibility. BUT • Employers likely to lay off low-paid employees. • It will pay to be off sick for some people. • Will increase govt rebate costs	We will make all employees eligible to receive Statutory Sick Pay from their employer from April 2020.

Annexes:

1. UC and Working Tax Credit standard allowances

		Single person		Couple	
		Weekly	**Monthly**	**Weekly**	**Monthly**
UC	**Under 25**	59.09	256.05	92.75	401.92
	Over 25	74.59	323.22	117.09	507.37
Working Tax Credit	**All**	38.37	166.27	39.33	170.43

2. Breakdown of UC claimants

Current caseload: 2.34m households / 3m individuals, of which:

Single, no child dependant	1.2m
Single, with child dependant(s)	770k
Couple, no child dependant	84k
Couple, with child dependant(s)	272k

Limited Capability for Work	307k
Carer entitlement	182k