

# **An Income to Live By: Affording the basics in Lancaster District**

**August 2021**



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# 1 Executive Summary

What is meant by an income which allows people to manage their lives adequately? The Joseph Rowntree Foundation offers this definition: *A minimum standard of living in the UK today includes, but is more than just, food, clothes, and shelter. It is about having what you need to have the opportunities and choices necessary to participate in society.*

The income of most people living in the UK is derived from wages/salaries, benefits or a mixture of both. People who earn their income from weekly or fortnightly wages, paid at an hourly rate, tend to earn average to low incomes, sometimes topped up by benefits – in most cases Universal Credit (UC). People whose income is derived solely from benefits are likely to be claiming UC or a disability benefit.

This report looks at the difficulties which people experience in managing their lives in these circumstances and suggests options for policy change which would enhance the lives of people on low incomes.

## A Decent Wage

Government aims are consistently stated as being intended to move people off benefits into employment, as the route out of poverty. This might hold good for skilled workers who are out of work for only a short period, but trends in employment over the past decade or so have led to a decrease in skilled workers and a rise in insecure employment.

Much research has gone into identifying what a minimum income standard in the UK would look like, to ensure that people on low incomes can afford not just to buy necessary goods and services, but also to participate in society and not to be excluded from activities which others take for granted. Alongside the research the minimum income standard is also chosen by a cross-section of members of the public and reflects a general understanding of what people need, rooted in personal experience. As the goods and services that are needed to participate fully in society change, so the goods on which the minimum income standard is based are altered.

In 2020 the average weekly earnings in Lancaster for a full-time worker amounted to £444.96 net. By contrast a single parent, with a child under 1, would need £679.26 per week to lead a fully participating life. A locally advertised care assistant job advertised a top wage of £11.50 an hour. Working 37.5 hours a week, the take-home pay for that job would be £364 a week, just over half of the income that would be needed by a single parent with a child under one to fully participate in society. Even if the single parent reduced their outgoings to the bare essentials (cutting out alcohol, travel costs and social activities), they would still fall short of the minimum income needed and would certainly be unable to cope with a sudden crisis, or spell of sickness.

Another locally advertised delivery driver job based in Lancaster was advertised as a self-employed job opportunity with an opportunity to earn on average £10-£15 per hour with payment being made for each parcel delivered. Even if the delivery driver was able to earn £15 per hour and was working 37.5 hours a week their take home pay would be £453<sup>1</sup> per week, well below the minimum income standard.

One fifth of working-age households where all adults are working full-time are earning below the JRF minimum income standard. One of the clearest trends between 2008/9 and 2018/19 is the growing number of households who are unable to earn enough through working, the income that is required to meet their minimum needs, even though all the adults in the household are in work.

Factors contributing to this inability to earn a minimum income which enables people to participate fully in society include employment conditions in the wider economy, such as the rise of the **gig economy** and **zero hours contracts**. One in ten of the UK workforce (over 3 million people) face insecurity at work under these conditions. In the Lancaster district it was estimated that 2,500-3000 people were working in the gig economy, and there were higher levels of workers in the North West on zero hours contracts than nationally (3% in the North West, 2.6% nationally).

Another factor contributing to low incomes is **inequality of pay** between high-worth work and low-paid work, where the monetary value of the work does not necessarily reflect its importance to society. This became clear during the pandemic when the key workers who kept society running were among the lowest paid amongst us – carers, cleaners, supermarket workers, healthcare professionals etc.

Among low-paid workers there are other inequalities – between women and men (women are more likely to be in one of the key workers' jobs) and between Black or Minority Ethnic (BME) workers and white workers. 40% of BME employees are key workers compared with 35% of white employees.

## Underpayment of statutory levels of wages

This is another poverty-inducing factor. Despite the introduction of the National Living Wage in 2016 (£8.91 an hour), one in five workers still receive less than the minimum despite their entitlement.

## Benefits

Research by the Trussell Trust, the Child Poverty Action Group (CPAG), JRF, Citizens Advice and others since 2016, shows that for many people, benefits are not an income to live by.

The main in-work benefit is Universal Credit and there are benefits specifically for people with lasting disabilities or poor health such as a Personal Independence Payment (PIP). This report deals only with Universal Credit.

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<sup>1</sup> Take-home pay calculator: <https://www.moneysavingexpert.com/tax-calculator/>

Universal Credit is a single benefit, replacing six original in-work benefits, with different elements (allowances for claimant, housing, children, caring and disability). These are all rolled into one payment, paid monthly, and administered digitally with claimants managing their claim online. The benefit was designed to ensure that claimants are always better off in work, with work allowances meaning that people can earn money in a 'tapered' system before their benefit money is removed.

As of January 2021 there were six million people nationally in receipt of Universal Credit with 39% of these in some kind of work. In the Lancaster District (July 2021) there were 13,587 people on Universal Credit, representing 9.42% of the population.

Although the concept behind Universal Credit – to simplify the benefits system, which was a patchwork of different benefits, all with different rules for entitlement and many overlapping – there were many design faults built into it from the beginning. Since it was inaugurated in 2016, several of these faults still exist in the system which causes great difficulties for vulnerable claimants and leaves them in worse hardship than under the previous system. The existing faults include –

- A 5 week wait before the first payment – this was reduced from seven weeks after protests
- Advance payment – this can be made to tide a claimant over until the initial payment comes through, but it's a loan, rather than a grant, and repayments are deducted at source from future Universal Credit payments
- Insistence on digital administration – excludes many who do not have easy access to the internet or are not IT-savvy
- Claimant commitment as to what the JobCentre+ expects of the claimant but it is not always a true reflection of a person's circumstances or capacity
- Two-child limit – since April 2017 Universal Credit covers only two first children in the family born after that date.

There are other aspects of the general benefit system, not specific to UC but having an impact on UC claimants –

- Housing allowance – linked to Local Housing Allowance, but often not sufficient to cover rent
- The benefits cap – the maximum that people may receive while claiming benefits and differs depending on circumstances. In Lancaster the benefits cap is £257.69 per week for single people and is £384.62 per week for couples and / or people with children
- No recourse to public funds – this applies to refugees and asylum seekers and those from the EU who do not have settled status

*Case Study – A single parent with three small children all born after April 2017 is affected by the two-child limit and by the benefits cap, which means that she doesn't get given enough to live off and she may struggle to find work due to issues with affording childcare.*

The impact of never having enough to afford basic essentials can be felt across many aspects of people's lives:

- Life expectancy – the Marmot Report tells us that there has been a decline in life expectancy among men living in Morecambe over the last 10 years, from 78.7 to 78.5 years
- Health and wellbeing - there are 13 areas within the Lancaster district which are among the 10% most deprived areas in the UK. The residents suffer the highest levels of deprivation, poverty and ill health/disability, both physical and mental.
- Education – family poverty, demonstrated in schools by the number of free school meals, has a direct negative correlation to educational attainment
- Fuel and food poverty – in 2020-2021, CA North Lancaster referred 1276 clients to foodbanks 4785 times. In 2020 Morecambe Bay Foodbank issued 38,196 emergency five day food supplies in our district. Fuel poverty is defined as having to spend more than 10% of the family income on heating the home. In 2019 13.4% of people nationally lived in fuel poverty. The North West is third highest for families in fuel poverty (3.4 million)
- Unmanageable debts – people living in endemic poverty can often only get through from meagre payment to meagre payment by borrowing or failing to pay essential costs such as rent or utilities. They do not have access to cheap credit, so are forced to depend on high-interest loans which they will have no means of repaying
- Poor housing – unless they are fortunate to rent social housing poor people are usually able to afford insecure privately rented accommodation, frequently of a low standard, which it is difficult for them to remedy without risking the landlord ending their tenancy

## Conclusions

- Poorly paid work, job insecurity and permanently low levels of benefits are major contributory factors in the long-term poverty in which millions of our citizens live
- People living in endemic poverty have far fewer life chances than others. They are disempowered and excluded from participation in society
- The effects of endemic poverty are felt right across the board at local and national level with ever-increasing demands on the public purse to remedy the ills brought about by not having enough to live on

## Recommendations

- Greater and more effective regulation and enforcement of wage levels and workers' rights
- A complete overhaul and review of the benefit system to remove anomalies such as the five week wait for initial payments, the insistence on digital administration and a better understanding of people's everyday lives
- Careful consideration of other options such as a Universal Basic Income (UBI)

# An Income to Live By: Affording the basics in Lancaster District

## 2 Introduction

Citizens Advice North Lancashire has been investigating the living conditions of people who perpetually live off low incomes, whether wages or benefits. It is clear that personal debt and its accompanying problems is one of the main issues which clients bring to Citizens Advice, along with difficulties with benefits. One of the major factors of the high level of debt queries is not just that people can't manage their money, but also that they don't have enough money coming into their households to manage day-to-day living. If a sudden crisis arises, people are not able to cope without resorting to other ways of finding money which may provide a short-term remedy but makes their situations worse overall.

This report brings together some of our findings on both earnings and benefits for people on low incomes and offers some recommendations to resolve the issues. It also highlights the inequalities in society which are brought about or worsened when people don't have enough to live on. These inequalities are not just financial, but also cover health and housing as low income has a direct impact on people's health and housing security. Low pay is a marker of employment inequalities, as it usually affects those workers who are in insecure work of one sort or another – zero hours contracts, the gig economy and traditionally low paid work such as caring, hospitality, cleaning, classroom assistants, etc, which may be topped up with benefits.

Living off benefits, where they are the only source of income, is equally problematic and unrewarding. Most benefit claimants are vulnerable in one or a number of ways – long-term ill health or disability, lone parent, various restrictions on the benefit being paid, insecure housing. The welfare benefit system is complex and uncertain, with a long and difficult road ahead if the claimant suddenly loses entitlement and wants to appeal. Benefits are paid at a miserly rate, well below the minimum income level. Government policies on benefits since 2008 have been punitive with actual cuts to payments or other policies to reduce the benefits budget.

Although it is not possible to avoid reference to the impact of the pandemic on people living on low incomes, which has been severe and out of proportion to that on other sectors of society, it is not the aim of this report to focus solely on the pandemic, as the problems for people on low incomes have existed and have been increasing over many years. The pandemic has however served to shine a spotlight on how few resources people on low incomes have to fall back on when a dramatic change in circumstances takes place, often entirely beyond their control.



## Case study

*Paul\*, aged 24, was working 40 hours a week as a bar manager earning around £1,300 per month. The bar where Paul was working went bust and he lost his job. Paul lives alone and rents a large one bedroom flat in Lancaster at £650 per month. He has a car and a car loan, and many direct debits that he is obligated to pay.*

*Paul's income has now dropped from £1300 to £648.41 on Universal Credit. As Paul is only 24 he can only get the lower rate of Universal Credit to live off, and the shared accommodation rate, even though he has an existing tenancy agreement for a 1 bedroom flat.*

*Paul's UC payment doesn't even cover his rent, let alone expenses to live off, and he still has his direct debits and car loan to pay.*

*Citizens Advice North Lancashire helped Paul to apply for Universal Credit and to explain how the system works. Paul was then referred to the debt team for a discussion about what to do regarding his rent arrears and outstanding bills.*

*It is likely that if Paul can't find a new job quickly, he will have to move, and his credit rating will be badly affected. He will be forced to get a loan from the DWP to cover his living expenses while he waits 5 weeks for Universal Credit to start, pushing him further into debt and reducing his future benefit payments.*

*\*Not his real name*

## 3 A Decent Wage

*A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society. P.8<sup>2</sup>*

Employment is traditionally emphasised as the route out of poverty but recent employment trends, including wage deflation, degraded employment terms and conditions and increases in people employed through casual employment contracts (such as zero hours) means that even those in work might find that they don't have enough to get by on, let alone enjoy a decent standard of living.

Many people in work are earning low amounts of money, but what is the minimum income that people need to have a decent standard of living and not just enough to barely survive on? Loughborough University Centre for Research in Social Policy funded mainly by the Joseph Rowntree Foundation (JRF) have for many years been

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<sup>2</sup> From *Households below a Minimum Income Standard: 2008/09 - 2018/19 (2021)* by Matt Padley and Juliet Stone Accessed at: <https://www.jrf.org.uk/report/households-below-minimum-income-standard-2018-19>



doing work to identify what a minimum income standard in the UK would look like. The concept of the minimum income standard is important because it identifies the lowest amount of income that people need to earn to buy enough goods and services to enable them to participate fully in society, rather than the minimum income on which people can only just survive or subsist on. The minimum income standard is also agreed by a cross-section of members of the public and reflects a general understanding of what people need, rooted in personal experience. As the goods and services that are needed to participate fully in society change, so the goods on which the minimum income standard is based are altered.

## What does 'enough to live on' look like?

For a single parent living with a child below the age of 1, the minimum income standard would assume that each week they would spend on some of the things below:

- £57.91 on food
- £5.40 on alcohol
- £23.43 on clothing
- £10.37 on water rates
- £21.82 on council tax
- £1.27 on household insurances
- £15.93 on gas, electricity etc.
- £24.77 on household goods
- £13.64 on household services
- £262.08 on childcare
- £31.01 on personal goods and services
- £70.63 on travel costs and motoring
- £52.25 on social and cultural activities
- £86.81 on rent
- **£679.26 in total – weekly outgoings**

For two pensioners living together the scenario is as follows:

- £75.25 on food
- £12.37 on alcohol
- £15.82 on clothing
- £7.18 on water rates
- £22.92 on council tax
- £1.55 on household insurances
- £15.07 on gas, electricity etc.
- £2.99 on other housing costs
- £17.55 on household goods
- £10.77 on household services
- £0.00 on childcare

- £38.67 on personal goods and services
- £19.16 on travel costs and motoring
- £81.56 on social and cultural activities
- £86.81 on rent
- **£407.67 in total – weekly outgoings**

The Minimum Income Standard recognises that different forms of family and households have different requirements for what they need to fully participate. The table below demonstrates that people living with children need more income to buy enough goods and services that allow them to fully participate in society than people living on their own. It should be noted that the minimum income does not include provision for making savings.

Table 1: For a decent, minimum socially acceptable standard of living you need to earn:

Scenario	Minimum income (net)
Couple living together, no children	£27,340 or £485.73 net per week
Single parent living with a child below the age of 1	£44,714 or £679.26 net
Two pensioners living together	£22,861 or £407.67 net per week
A couple living together with 2 secondary aged children	£41,821 or £698.62 net per week
A single parent living with 2 primary aged children (Scenario 2)	£29,148 or £698.30 net per week
A pensioner living on their own	£12,772 or £287.16 net per week
Single person, no children (Scenario 1)	£20,383 or £325.26 net per week
A couple living together with 3 children: 2 secondary and 1 primary aged	£55,751 or £883.60 net per week

Source: <https://www.minimumincome.org.uk> (accessed and calculated on 21.7.21)

## Average earnings in Lancaster, per week, 2020

Table 2: Net pay for all workers, men and women

	Net weekly pay	Net monthly pay	Net annual pay
Full time workers	£444.96	£1,928	£23,138
Full time men	£460.94	£1,997	£23,969
Full time women	£382.94	£1,659	£19,913

Source: <https://www.nomisweb.co.uk/reports/lmp/la/1946157095/report.aspx?#wab>

Although we have a clear understanding of what a minimum income is, one fifth of working-age households where all adults are working full-time are earning below the JRF minimum income standard. One of the clearest trends between 2008/9 and 2018/19 is the growing number of households who are unable to earn enough through working, the income that is required to meet their minimum needs, even though all the adults in the household are in work.

### *Case study 1: A Local Courier Delivery driver job based in Lancaster*

The delivery driver job was advertised as a self-employed job opportunity with an opportunity to earn on average £10-£15 per hour with payment being made for each parcel delivered. If we assume, generously, that they were able to earn £15 per hour and were working 37.5 hours a week their take home pay would be £453<sup>3</sup> per week. This is an example of a locally advertised job that does not pay enough money to meet the minimum income standard.

### *Case study 2: A Care Assistant based in Lancaster<sup>4</sup>*

The care assistant job was advertised at between £10.25 and £11.50 per hour. If we assume that the carer is receiving £11.50 per hour, if they worked 37.5 hours a week, the take-home pay for that job would be £364<sup>5</sup> a week. We can see from the table above that the income is just over half that would be needed by a single parent with a child under one or a couple with two primary aged children to fully participate in society.<sup>6</sup> Clearly here is another example of a locally advertised job that does not pay enough to meet the minimum income standard.

We will explore the reasons for this growth in the number of households being unable to earn a minimum income that enables them to participate fully in society – factors include employment conditions in the wider economy and inequalities in pay.

<sup>3</sup> Take-home pay calculator: <https://www.moneysavingexpert.com/tax-calculator/>

<sup>5</sup> On-line take-home pay calculator: <https://www.moneysavingexpert.com/tax-calculator/>

## The gig economy and zero hours contracts

Although a precise definition of the gig economy is hard to pin down, a recent report from the Department of Business, Energy and Industrial strategy referred to it as involving ‘the exchange of labour for money between individuals or companies via digital platforms that actively facilitate matching between providers and customers, on a short-term and payment by task basis.’ (*The Characteristics of those in the gig economy: final report*, 2019: p.4<sup>7</sup>). This definition might capture the nature of the contract between worker and those buying a service, but it does little to identify the personal consequences for those working in the gig economy.

Zero hours or casual contracts mean that payment is usually paid for undertaking specified pieces of work or being ‘on-call’. These contracts mean that the employee must be on call to work when they are needed, employers are not obliged to offer any work or hours, nor are employees obliged to take the work<sup>8</sup>, although it seems unlikely that zero hour employees would be in a position to turn down work. Both the gig economy and zero hours contracts are key elements of current insecure and low paid working conditions.

The flexibility of working in the gig economy might be desirable to some who are able to fit in work around existing commitments such as caring or studying, but for many trying to earn enough to live on, and for whom the gig economy might be the only possible form of employment, many aspects of the gig economy are problematic. As well as providing casual work, gig economy jobs are also characterised by a lack of continuity of employment, career progression and training, uncertainty about working hours, and having none of the protections and rights enjoyed by people working in traditional jobs<sup>9 10</sup>.

The number of people experiencing employment in the gig economy and precarious working conditions is growing. One in ten of the UK workforce (over 3 million people) face insecurity at work, including those employed on zero hours contracts and working in the gig economy. The number of gig economy jobs has grown recently: insecure jobs rose by 27% between 2011 and 2016<sup>11</sup> and highlights the growing insecurity in employment. According to a recent Work Foundation report <sup>12</sup> there

<sup>7</sup> Department of BEIS report accessed at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/687553/The\\_characteristics\\_of\\_those\\_in\\_the\\_gig\\_economy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687553/The_characteristics_of_those_in_the_gig_economy.pdf)

<sup>8</sup> <https://www.gov.uk/contract-types-and-employer-responsibilities/zero-hour-contracts>

<sup>9</sup> Geraint Johnes accessed at : <https://www.emerald.com/insight/content/doi/10.1108/JGR-09-2018-0037/full/pdf?title=the-gig-economy-in-the-uk-a-regional-perspective>

<sup>10</sup> TUC – The Gig is up <https://www.tuc.org.uk/sites/default/files/the-gig-is-up.pdf>

<sup>11</sup> TUC – The Gig is up <https://www.tuc.org.uk/sites/default/files/the-gig-is-up.pdf>

<sup>12</sup> <https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/work-foundation/reports/WorkFoundation-CSRSubmission.pdf>

were 5.1 million workers in low paid, insecure work during the final quarter of 2019 demonstrating the high levels of job insecurity prior to the pandemic.

But not everyone in the UK population is equally exposed to or affected by this type of employment. Groups that traditionally or already experience disadvantage in employment are more likely to be affected. For example:

- 11% of women are in insecure employment compared with 9% of men
- 1/13 BAME employees is in an insecure job compared with 1/20 white employees<sup>13</sup>

There are also regional differences, with 47% of job growth in the Northwest region being insecure compared with 18% of job growth in Yorkshire and Humberside between 2011 and 2016. And some job sectors are more likely to use zero hours contracts, in the social care sector, 24% of all workers were employed on zero hours contracts in 2016.<sup>14</sup>

A recent report estimated that in 2018, based on figures for Great Britain, there were 2,500 to 3,000 people working in the gig economy in the Lancaster district<sup>15</sup>. There are slightly higher levels of zero hours employment in the wider Northwest region, according to the Office for National Statistics (ONS), where approximately 3% in employment are on zero hours contracts, compared with 2.6% nationally. The problems associated with the gig economy and precarious working conditions are having a very real impact on many people in the Lancaster district.

Beyond the very real employment consequences of working uncertain hours, lack of employment protections, training, and progression<sup>16</sup>, working on casual or zero hours contracts is also likely to have a wellbeing impact with people on these contracts experiencing higher stress and lower morale<sup>17</sup>

## Case study

*A high-street fast-food outlet had problems with supply. As the staff were on zero hours contracts they were sent home without pay, despite having to pay a £5 bus fare to get to work, only to be told to go home. Several employees ended up in the Foodbank needing help.*

## Recommendation

Zero hours contracts should be regulated by legislation including a requirement that employers should provide minimum hours for all employment contracts.

<sup>13</sup> TUC – The Gig is up <https://www.tuc.org.uk/sites/default/files/the-gig-is-up.pdf>

<sup>14</sup> TUC – The Gig is up <https://www.tuc.org.uk/sites/default/files/the-gig-is-up.pdf>

<sup>15</sup> Lancaster City Council – Lancaster Inclusive Growth report – Denis Donoghue July 2018

<sup>16</sup> TUC – The Gig is up <https://www.tuc.org.uk/sites/default/files/the-gig-is-up.pdf>

<sup>17</sup> Lancaster City Council – Lancaster Inclusive Growth report – Denis Donoghue July 2018

## Inequality between high worth work and low paid work

As well as dealing with the consequences of being employed precariously, there are also issues around wide inequalities in pay for work carried out by people in the UK. Our recent experiences of the pandemic have demonstrated that a range of occupations and professions have been truly essential to ensuring the functioning of society. We have come to appreciate the supermarket workers, delivery drivers, warehouse and logistics staff, carers, nurses, doctors, other healthcare professionals, teachers and school staff who day in and day out turned up to carry out their essential work when many of us were furloughed or working from home. Many of these workers, although having a key role in keeping us going, earn low wages.

According to the ONS, low pay is defined as 2/3 of median hourly earnings and high pay as 1.5 median hourly earnings<sup>18</sup>. The highest earning full-time job paid more than 5 times as much as the lowest earning full-time job in 2019. According to the Lancaster Guardian<sup>19</sup>, before the pandemic, the 20% of workers earning the most average weekly amount in 2018 was 2.3 times higher than those 20% of workers earning the least. This works out at £40,930 per year for the highest paid versus £17,960 per year for the lowest paid.

Inequalities in the amount of money earned are only the tip of the iceberg. People employed in jobs in the conventional labour market are also often remunerated with a contributory pension, paid sick leave and maternity leave, transport allowances and perhaps childcare vouchers. These enhanced benefits only serve to make the differences in amounts earned even starker.

This inequality matters. It's been known for a long time that although the lowest paid bear the brunt of living in poverty, everyone living in a society that has high income inequality is more likely to experience property or violent crime; have more stress; live less longer; are less likely to trust each other and less likely to report that they are happy compared with people who live in societies which are more equal.<sup>20</sup>

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<sup>18</sup>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/lowandhighpayuk/2019>

<sup>19</sup> <https://www.lancasterguardian.co.uk/news/top-earners-lancaster-take-home-aps23k-more-year-lowest-paid-157217>

<sup>20</sup> <https://www.equalitytrust.org.uk/about-inequality/impacts>

## Recognition of 'key workers' during the pandemic

During the pandemic, the category of 'key worker' was expanded greatly and included<sup>21,22</sup>

- Health and social care workers providing treatment and care in a time of high demand and stress from high death toll
- Supermarket and delivery workers have ensured the distribution of food continued during a time of great uncertainty
- Cleaners who were vital to ensuring that spaces are clean and free of Covid
- Public transport workers
- Workers involved in public safety and national security
- Utilities, communication and financial services workers
- Teaching staff, classroom assistants and school staff

The weekly 'clap for carers'<sup>23</sup> which took place between 26<sup>th</sup> March and 28<sup>th</sup> May 2020 was a tangible and relatively straightforward way for many in the UK to display their appreciation of the work that keyworkers, particularly those who were carers or NHS workers, did during the pandemic. Many cafes and restaurants also offered free or reduced price food and drinks to show their appreciation to NHS key workers<sup>24</sup> However, many of these workers are employed in sectors that use outsourcing, self-employment and zero hours contracts. As well as enduring low pay for the vital work that they do, the employment conditions for many key workers also mean that they lack job security, a right to a collective, union voice in the workplace, safety and have a limited development or job progression opportunities.<sup>25</sup>

A recent report by the Royal Society for Arts (RSA)<sup>26</sup> demonstrated the costs to keyworkers such as social care workers, for providing their important service. In December 2020, 37% of social care workers earned less than the Real Living Wage (£9.50 an hour) and 29% reported that they would find it difficult to take time off if they were unwell. Half of key workers in general felt at high risk of catching the virus at work.

The poor employment conditions and risks associated with key workers are not evenly distributed throughout the population. Key workers are more likely to be women. Black or Minority Ethnic (BME) women (45%) are more likely to be employed as key workers than BME men (26%). 40% of BME employees are key workers compared with 35% of white employees. Regionally, the North West (36%) has slightly higher than the national rate (35%) of employees working as key workers.

<sup>21</sup> <http://blog.policy.manchester.ac.uk/posts/2020/08/recognising-the-role-of-key-workers-now-and-in-the-future-employment-landscape/>

<sup>22</sup> <https://www.tuc.org.uk/sites/default/files/2020-09/Key%20workers%20report.pdf>

<sup>23</sup> [https://en.wikipedia.org/wiki/Clap\\_for\\_Our\\_Carers](https://en.wikipedia.org/wiki/Clap_for_Our_Carers)

<sup>24</sup> <https://hclworkforce.com/candidates/covid-19-discounts/>

<sup>25</sup> <https://www.tuc.org.uk/sites/default/files/2020-09/Key%20workers%20report.pdf>

<sup>26</sup> [https://www.thersa.org/globalassets/foundation/new-site-blocks-and-images/reports/2020/12/frontline\\_fatigue.pdf](https://www.thersa.org/globalassets/foundation/new-site-blocks-and-images/reports/2020/12/frontline_fatigue.pdf)



## Recommendation

All employers should ensure that they keep robust data on gender and pay, and that they address the gender pay gap, ensuring that men and women are not being paid different rates for the same work

## Underpayment of statutory wages

The national minimum wage in the UK was introduced in 1998 and the National Living Wage (NLW) was brought in for those aged 25 and over in 2016. Minimum wage is one part of the drive to ensure that workers get paid a decent wage that they can live on, but also to ensure that businesses are operating on a level playing field, intended to reduce the possibilities of businesses undercutting others because they are paying lower wages<sup>27</sup>. The NLW appears to have led to a decrease in those getting low pay from 20.7% in 2015 to 17.1%<sup>28</sup> in 2018 but, shockingly, more than one in five minimum wage workers still receive less than the minimum<sup>29</sup>.

The government set a target that the NLW should reach 2/3 of median earnings by 2024 and in April 2020, the NLW reached £8.72 which is 60% of median earnings<sup>30</sup>. Currently the NLW is £8.91 per hour. Although it has been important to set a national minimum wage to protect workers against very low pay and with the ultimate aim of driving wages up, it is also important to recognise that people earning 60% of the median wage usually have more than 60% of the rent or mortgage costs compared with median wage-earning workers and need more than 60% of the food. Many of those earning the NLW are often in occupations that were essential to society functioning during the pandemic, so we know that the work they are doing probably has more than 60% of the value of other forms of employment. It seems that the distinction between low paid and high paid workers is not based on judgements about how valuable the work is but appears to be based on long-established payment practices in conjunction with the recent trend to degrade working conditions.

In the previous section we saw that many key workers vital to the country's pandemic response were employed in retail, cleaning, and maintenance sectors – these industries tend to be the ones with the largest number of low-paid workers.<sup>31</sup>

<sup>27</sup> 2020\_Non-compliance and the enforcement of National Minimum Wage

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/885382/Non-compliance\\_and\\_enforcement\\_report\\_-\\_2020\\_-\\_amended.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885382/Non-compliance_and_enforcement_report_-_2020_-_amended.pdf)

<sup>28</sup> N Cominetti, K Henahan, S Clarke, Low Pay Britain 2019, Resolution Foundation, May 2019

<sup>29</sup> Non-compliance and the enforcement of National Minimum Wage – Low Pay Commission 2019

<sup>30</sup> 2020\_Non-compliance and the enforcement of National Minimum Wage

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/885382/Non-compliance\\_and\\_enforcement\\_report\\_-\\_2020\\_-\\_amended.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885382/Non-compliance_and_enforcement_report_-_2020_-_amended.pdf)

<sup>31</sup> Non-compliance and the enforcement of National Minimum Wage – Low Pay Commission 2019

Workers being paid the minimum wage are more likely to be women, in part-time employment and in short-term employment.

To add insult to injury, 22% of workers (360,000 workers) entitled to the NLW in 2019 didn't even receive that. Rates of underpayment vary by sector. Most underpaid workers are employed in retail, hospitality and cleaning and maintenance sectors – again, many of those sectors that were crucial to societal functioning during the pandemic. Once again, we find that women are more likely to be underpaid than men, those working full-time are more likely to be underpaid compared with part-time workers, while salaried workers are less likely to be underpaid than those paid hourly. Apprentices, who already receive very low rates of pay (£4.30 an hour) are more likely to be underpaid; for some age groups, 1 in 3 apprentices are reported as underpaid.

## Recommendations

- A properly resourced enforcement agency to ensure that workers' rights are better protected
- A campaign to urge all employers in our district to pay the living wage to their staff

## 4 Benefits

It would be obvious to suggest that benefits should be enough for people to live off, but it has been clear, due to research by the Trussell Trust, the Child Poverty Action Group (CPAG), JRF, Citizens Advice and others since 2016, that for many people, benefits are not an income to live by.

Below we outline what Universal Credit is, how it works and the specific aspects of the benefit that cause financial stresses for clients that we speak to as well as localised examples of where benefit payments do not cover the costs of living in Lancaster District.

We focus on Universal Credit rather than legacy benefits such as Income Support, ESA or Housing Benefit because it's no longer possible to apply for these - they are only paid to people who were already on them and are likely to be phased out over the coming years. Anyone applying for working age benefits has to apply for Universal Credit.

The levels at which benefits are paid in the UK depends on your circumstances and where you live with the housing element being a key variant. In this paper we have attempted to pin down some Lancaster District-specific prices for things that people have to afford while living on benefits, and we have run benefit checks based on scenarios in Lancaster and Morecambe so that we can see how the numbers stack up.

It's important to consider what 'the basics' are and how we might define these. For this report, we have considered the essential things that someone might need to afford in order to survive and we have compared current benefit levels with this and then subsequently with the JRF's research on what the public thinks is a 'decent standard of living' - allowing citizens to participate in society. As you will see from the figures, benefit levels at their current rates don't allow people to survive, let alone thrive. We think that the government should change this to allow people to live lives that are not characterised by destitution.

## A brief introduction to benefits in the UK since 2010

After the Conservative-Liberal Democrat coalition came to power in 2010, a series of 'austerity' policies were put in place in the UK to curb spending on welfare in the UK in an effort to reduce the national debt.

At the same time as the Government was reducing spending on welfare it also committed to overhaul the welfare system and replaced a previously complex system with a new working age benefit called Universal Credit. The idea was to have one benefit with different elements (such as a standard allowance, an amount for housing, children, caring and disability) all rolled into one payment, paid monthly, to mirror work, and administered digitally with claimants managing their claim online. The benefit was designed to ensure that claimants are always better off in work, so it included a system of work allowances which mean that people can earn money in a 'tapered' system before their benefit money is removed.

The old 'legacy' system of benefits which includes both working and child tax credits, Income-based Employment and Support Allowance (ESA), Income-based Jobseekers Allowance (JSA), Income Support and Housing Benefit were supposed to be phased out and a managed migration to Universal Credit put in place in around 2019.

Delays in the implementation of Universal Credit and the Coronavirus Pandemic have put this on hold. This means that there are some people in the UK on the legacy benefit system and some on Universal Credit. When Coronavirus hit, those on Universal Credit and the basic rate of Working Tax Credits were given a £20 per week 'uplift' in their benefits but the 1.76m people on legacy benefits were not given a similar increase. The increase is due to be removed in September 2021.

As of January 2021 there are six million people in receipt of Universal Credit with 39% of these in some kind of work. In the Lancaster District as of May 2021 there were 4560 people on Universal Credit, representing 4.9% of the population. It is important to note that not everyone on Universal Credit is unemployed. It is paid to people to 'top up' low incomes, and nationally, 37% of UC recipients are in work.

## Universal Credit in Lancaster District

Universal Credit was first introduced in pilot areas in 2016, with the Lancaster District being one of them.

There were serious problems with the initial roll out which meant that the numbers of people coming to Citizens Advice and other charities for help increased significantly. This was due to poor administration and a very long waiting time for first payments. This was initially designed as seven weeks which has now been reduced to five, from application to the first payment.

Citizens Advice North Lancashire issued a report about the impact of the roll out of Universal Credit on the Lancaster District in 2016-17 which showed a 524% increase in UC-related issues in the year that UC was rolled out in the district.

Since then, benefit enquiries are consistently in the top five reasons for a client contacting Citizens Advice in the District.

In Lancaster District, there are 13,587 claimants of Universal Credit. 53.6% of claimants are women. Of those who are claiming, 37.3% are working and 27.4% of claimants have no work requirements (meaning that they are caring, they are unwell or have very young children). This means that 64.7% of claimants are either working, or not required to work.

## Recommendations

- To remove the 5 week wait for first payment and replace it with a grant payment once you have applied and proved your identity
- To remove the three week wait for existing claimants moving from one benefit system to another – often with no money to cover the period

## Housing

Universal Credit contains a housing element which is proving particularly problematic in the context of having enough to live off. Those who rent private property are eligible to claim the housing element but those paying a mortgage or living with close relatives are not. (Those with a mortgage can apply for a loan from the government called 'support for mortgage interest' but they have to wait 39 weeks before they are eligible to apply from when they start on Universal Credit.)

The housing element is calculated based on age and the number of people in the household, not on the actual housing costs of the existing household.

For those who are single and under the age of 35, they are only given enough housing element for a room in shared accommodation.

Those who are single and over 35 or in a couple can get the one bedroom rate. Those with children can get additional bedrooms within their allowance. Claimants will only get the rate that they qualify for, even if they have more bedrooms in their existing home.

While this is a rational way to approach housing allowances it does create difficulties for families who might live in a house with an extra bedroom or single people whose children have left home. They are only given the Local Housing Authority (LHA) rate, not the actual rate of their rent. The LHA rate is set at the 30th percentile of the Broad Rental Market Area (BMRA) in any given area.

[https://england.shelter.org.uk/professional\\_resources/legal/benefits/local\\_housing\\_allowance/how\\_local\\_housing\\_allowance\\_is\\_calculated](https://england.shelter.org.uk/professional_resources/legal/benefits/local_housing_allowance/how_local_housing_allowance_is_calculated)

In the chart below you can see what the LHA rate is in Lancaster District and the difference (shortfall) between them.

The shortfall has to be made up by claimants out of their left over benefit money which in many cases creates a large reduction in the amount they actually have to live off.

## How the housing element measures up to actual rent prices, Lancaster District.

Table 3: Universal Credit Housing element and actual rent prices in Lancaster District

	<b>LHA rate given in Lancaster District for the UC housing element</b>	<b>ONS Average rent prices in Lancaster District</b>	<b>Difference</b>
Shared accommodation	£304.41	£412	-£107.59
One Bedroom	£418.86	£475	-£56.14
Two Bedrooms	£523.55	£550	-£26.45
Three Bedrooms	£598.35	£675	-£76.65
Four Bedrooms	£698.10	£800	-£101.90

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/october2019toseptember2020#rent-prices-by-region>

## Recommendation

To increase the housing allowance in line with actual average rental costs

## Case study - is Universal Credit enough to live off?

*James\* is 25 and on Universal Credit in Lancaster. His £411.51 standard element, which he is supposed to live off, isn't £411.51 for the month - it's £361.51 per month, because his rent is £50 more than what he is getting in housing allowance, so he has to make up the difference.*

*His £361.51 per month is then reduced further because of the £800 advance payment that he took in the first place when he first applied for Universal Credit as he was previously on a zero hours contract, and received no redundancy pay. So, his £361.51 basic element then becomes £318.18 for the month (as he is paying the loan back over two years), which is £73.43 per week to pay for utility bills, internet and phone, clothes, socialising, food, travel and toiletries.*

*As the government is planning to reduce Universal Credit by £20 per week from October 2021, this takes James's payment down to £53.43 per week, making it almost impossible for him to afford the basics he needs to survive.*

*\*Not his real name*

## Case study example – how the two-child limit and the benefits cap affects people

*Naomi\* was suddenly widowed and has three children who are all under the age of five. She rents in Morecambe and her rent costs £800 per month, but she only gets the LHA rent within her housing element which is £698.10 per month, a shortfall of £101.90 which she has to make up from the amount she is given to live off.*

*Naomi is also affected by the two-child limit meaning that she only gets benefits for two of her three children, as they were born after April 2017. Her total payment for the month is £1666.67, which is £866.67 per month after rent. Out of this, Naomi needs to pay for everything else for four people, which is £200 per week, or £50 per person.*

*If Naomi wanted to go back to work, the JRF estimates childcare costs for three children at around £532.60 per week which is unfeasible, especially as under Universal Credit, you can only claim back childcare costs once you have paid them. This makes it extremely difficult for Naomi to go back to work as a single person unless she has a support network around her.*

*The government often says that it wants to make people better off by being in work, but in this situation, Naomi has few options but to survive on benefits. NB - Naomi will also get child benefit, which is £49.15 per week, and she will be eligible to have zero rated Council Tax in Lancaster District, which is the only District Council in Lancashire to offer a 100% deduction to those on benefits.*

*\*Not her real name*

## Recommendations

- To increase the rates at which benefits are paid to a level that allows people to have enough to afford all the basics
- To remove the two-child limit and the benefit cap



## Living off Universal Credit in Lancaster District

In the appendix to this report, we have included the tables where you can see how we have looked at the specific costs locally that someone will need to afford the very basics and we have compared this with:

- Benefit allowances in Lancaster
- Benefit allowances based on the planned £20 cut to the Universal Credit rate in Sept 2021
- The cost of the absolute basics in Lancaster, as calculated by Citizens Advice North Lancashire
- The amount that the JRF says that you need in the UK, order to maintain a decent standard of living

As you will see, Universal Credit *at present* is inadequate in every example. This is leading to a very real crisis of wellbeing for residents in our district who are trapped into poverty and unable to afford the basics that would allow them to participate fully in the life of the district as active citizens.

The 'absolute basics' example has been calculated using local prices, such as the average rent for this district, the local cost of public transport and the local cost of school uniforms, childcare and trips.

In all the examples, no one in the house is working. This is to illustrate the absolute minimum that the state expects people to survive on, and for many clients who aren't well, or who can't work due to having young children, this is the situation they are in.

We have not included disability benefits in these examples, to keep things simple, and because if you are unwell and apply for Universal Credit, you have to wait at least 3 months before you can apply for 'LCWRA' or 'Limited Capability for Work Related Activity', which, after a subsequent assessment and agreement from the DWP (Department for Work and Pensions) will pay an additional £343.63 per month. There are also carers elements that have not been included, nor have non-dependent deductions been made, or loan repayments or sanctions, all of which reduce benefits further.

## Recommendations

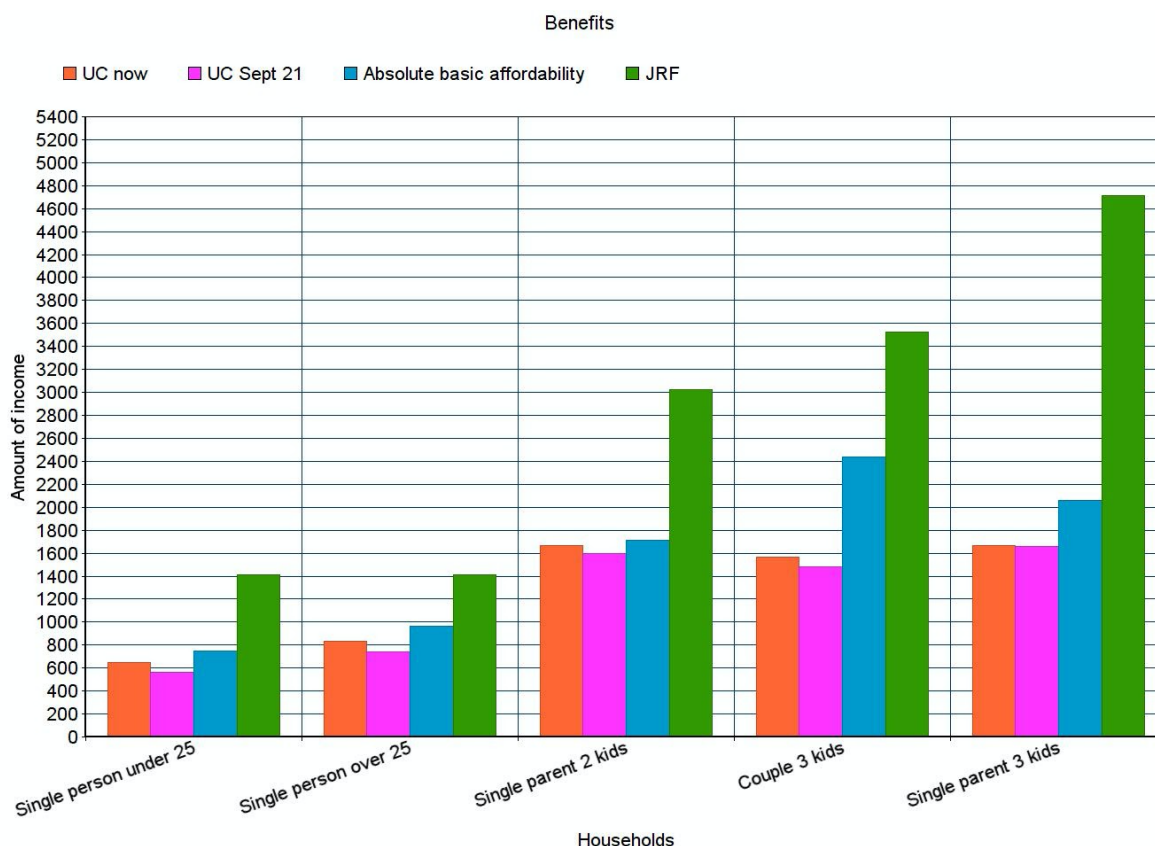
- To increase Universal Credit to a rate that makes it possible for people to afford the basics
- To allow those who are unwell or disabled to get access to the 'LCWRA' amount of money within Universal Credit (the disability part) faster and automatically if they are in receipt of Personal Independence Payment (PIP)

- To increase the taper rate of earnings or provide a work allowance for everyone so that people take home more of their money when they start working

Table 4: Table shows the comparisons of UC now, UC in September 21, how much you need to afford the basics, and how much you need for a decent standard of living in Lancaster District, per month.

Scenario	Total UC eligibility now, benefits check as of July 2021	Total UC eligibility once the rate is cut by £20 per week in September 2021	How much you need to afford <b>the absolute basics</b> in Lancaster District, based on our research (no trips, entertainment, eating out, socialising, birthday, or Xmas gifts)	What the JRF says you need to live off to maintain a decent standard of living in the UK
A single male aged 23 renting a room in a shared house, living on UC with no car.	£648.42	£561.74	£746.51	£1409.46
A single male aged 35 renting a one bedroom flat, living on UC in a rural area of Lancaster District with a car.	£830.37	£743.70	£962.17	£1409.46
A single parent aged 30 with 2 children of primary age living in a 3 bedroom rented house who has a car. Benefits amount is UC plus child benefit	£1666.68	£1595.08	£1714.98	£3025.97
A couple with 3 children of senior school age living in a 4 bedroom house with a mortgage, no car, children have to get the bus to school and back	£1566.22	£1479.55	£2434.36	£3523.69
A single parent of three young children, all born after April 2017. Rented accommodation, with a car	£1666.68	£1655.74	£2063.06	£4714.23

Fig 1: The graph below shows the comparisons of UC now, UC in September 21, how much you need to afford the basics, and how much you need for a decent standard of living in Lancaster District



## What the data shows

Our single male aged 23 renting a room in a shared house only gets the shared room rate and a lower rate of UC paid as he is under 25. His expenses aren't different to the single person aged over 35 but the DWP treats these claimants as if they are.

Our single person over 25 gets more in benefits and is eligible for a 1-bedroom rate of housing rate but, this is still not enough to afford basic rents as charged in our district. The total amount of income being given to this person still isn't enough to afford the basics.

Our single parent is being affected by the benefits cap even though she is renting at an average rent. This means that she must make up the rent shortfall and is thus losing some of her benefits. This is starting to hit more and more households in Lancaster as housing costs rise.

Our couple with three children of a senior school age are living in a 4-bedroom house with a mortgage with no car. Mortgage housing costs are not covered by Universal Credit which means that their benefits don't cover their costs. Many families who have been adversely affected by the pandemic and who have

mortgages have found themselves in arrears. If they sell their home and have over £16,000 in capital, they will no longer be eligible for Universal Credit.

Our single parent with three small children all born after April 2017 is affected by the two-child limit and by the benefits cap, which means that she doesn't get given enough to live off and she may struggle to find work due to issues with affording childcare.

## The impact of not having enough to live off within our District

### Life expectancy

The Marmot review ([https://www.health.org.uk/sites/default/files/2020-03/Health%20Equity%20in%20England\\_The%20Marmot%20Review%2010%20Years%20On\\_executive%20summary\\_web.pdf](https://www.health.org.uk/sites/default/files/2020-03/Health%20Equity%20in%20England_The%20Marmot%20Review%2010%20Years%20On_executive%20summary_web.pdf)) showed that there has been a decline in life expectancy among men in Lancashire, from 78.7 to 78.5 in the last decade. Parts of Morecambe, particularly Harbour Ward and Poulton Wards have some of the most deprived areas with the poorest health outcomes in the country and higher proportions of these residents are in receipt of benefits, and foodbank use, which has been mapped by LSOA (Local Super Output Areas) by Morecambe Bay Foodbank. [http://morecambebay.foodbank.org.uk/wp-content/uploads/sites/146/2021/02/AGM\\_report\\_2021.pdf](http://morecambebay.foodbank.org.uk/wp-content/uploads/sites/146/2021/02/AGM_report_2021.pdf)

Thirteen LSOAs within the Lancaster district are among the most deprived 10% in the UK, and there are clear correlations between poor health, low income, employment, poor health, those with disabilities, poor living standards / poor housing, child poverty and educational outcomes. In fact, all of these issues overlap one another on government's LSOA deprivation maps: [http://dclgapps.communities.gov.uk/imd/iod\\_index.html#](http://dclgapps.communities.gov.uk/imd/iod_index.html#)

In short - those people with the smallest incomes tend to suffer the highest levels of deprivation, poverty, ill health, disability and poor educational outcomes. The level at which benefits are paid, as the figures in this report show, is inadequate to keep people from living in poverty with devastating effects on their education, health and wellbeing. The government's intention to cut Universal Credit in October 2021 will reduce incomes of those who are on the lowest wages and incomes by over £1000 per year.

### Foodbank use in Lancaster District 1st April 2020 - 31st March 2021

Citizens Advice refers clients to two main foodbanks in our District, the Morecambe Bay Foodbank and The Olive Branch. Statistics from our case recording system shows that in 2020-21 we referred 1,267 clients to foodbanks 4,785 times. Foodbank statistics in our local area, and nationally, show that people need to use a foodbank

several times when they find themselves in difficulties, and as the spreadsheets in this report show, because benefits are not enough to live off, some people find themselves almost continually dependent on the foodbank because they simply cannot make ends meet.

Foodbanks are usually a sign of destitution and the high numbers of foodbank use in our district, which mirrors foodbank use across the country, shows the inadequacy of the benefits system for providing a sustainable source of income to live off and afford all the basics.

Citizens Advice North Lancashire is just one referral agent out of many different referral agencies in our area. In 2020 Morecambe Bay Foodbank issued 38,196 emergency five day food supplies in our district which again shows the levels of need which the pandemic has laid bare.

## **Schools - and PPG funding - the cost of poverty to schools and to educational outcomes**

Children who qualify for Free School Meals are able to apply for them via their school, which is then awarded Pupil Premium Grant (PPG) funding. The PPG funding in education is given to schools in recognition that children on lower incomes tend to have worse educational outcomes.

Children whose parents are on Universal Credit and have take-home earnings of less than £7,400 per year can qualify for free school meals. (With similar qualifications for those on other benefits).

PPG funding is paid to schools at a rate of £1345 per year for children who are in reception to year 6, and for those in secondary school the rate is £955. It is paid to those who fall into a category called “EVER6” which covers all children who have qualified for free school meals since 2014 whether they are currently eligible or not. This is in recognition of the fact that many families come in and out of PPG eligibility.

There are other rates payable to schools in respect of the children of those serving in the armed forces and those in the care of the local authority or those who have been adopted.

The extra money granted to schools for PPG children is directed to help them achieve their educational potential. Despite this, PPG children have worse educational outcomes than children who are not living in poverty, and there is an obvious correlation between FSM (free school meal) rates in schools, and their attainment levels.

In Lancaster District this is particularly stark due to selective and religious education which creates a huge wealth gap in education. You can see this in the chart below in local secondary schools where attainment in GCSEs significantly mirrors poverty.

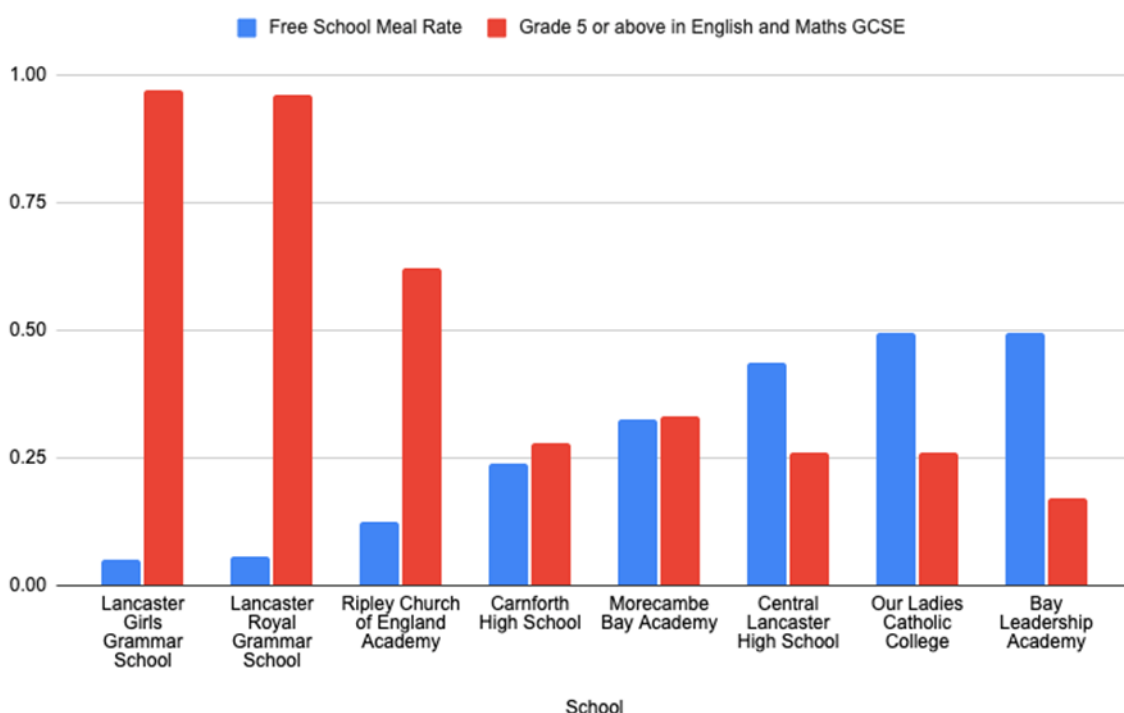
Source: <https://www.compare-school-performance.service.gov.uk/>

Table 5: Free School meal rates and GCSE grade 5 or above in English and maths in local schools

School	Free School Meal Rate	Grade 5 or above in English and Maths GCSE
Lancaster Girls Grammar School	5.1%	97%
Lancaster Royal Grammar School	5.5%	96%
Ripley Church of England Academy	12.5%	62%
Carnforth High School	23.8%	28%
Morecambe Bay Academy	32.6%	33%
Central Lancaster High School	43.6%	26%
Our Ladies Catholic College	49.4%	26%
Bay Leadership Academy	49.5%	17%

Figure 2: Free school meal rate and Grade 5 or above in English and Maths in schools in Lancaster District

Free School Meal Rate and Grade 5 or above in English and Maths GCSE



## 5 Other Resources

In April 2021 Citizens Advice North Lancashire ran a short snapshot survey of people on low incomes, whether wages, benefits, or a mixture of both.

The number of respondents was relatively small, so it is difficult to draw general conclusions. A picture was built up however of how people are struggling to manage on the levels of benefits and/or wages which they received.

There were 34 responses to the survey, of which over half (59%) struggled to manage their household finances. Even the 41% who said they hardly ever struggle had sometimes to resort to borrowing from friends or family. Approximately one person in three had problems every week.

91% of respondents were of working age and the income of the majority (55%) was made up of wages with 30% receiving benefits only and 15% receiving a mixture of benefits and wages. Even among those in work (nearly  $\frac{3}{4}$ ) there were many who were finding it difficult to manage, challenging any stereotype that employment is the route out of poverty.

The levels of income, whether benefits or wages, are low – nearly two thirds (60%) had a household income of less than £600 a week, barely enough for a single person, let alone a larger family unit. 40% received between £600 and £1200 each



week. There was insecurity in housing status for the majority – 70% lived either in the private rented sector or else were paying out on a mortgage, with the risk of losing their homes if they ran into financial difficulties on a regular basis. People with families suffer an extra vulnerability – 80% of respondents had children, with 20% being single parents.

Respondents resorted to a variety of measures when they were unable to cope. More than one third (38%) went without daily essentials in order to get by. The majority (44%) borrowed from friends or family. Surprisingly few used a food bank (9%), and 3% were unable to pay essentials bills. 10% took out loans, which they would have difficulty in repaying.

One or two of the answers of individuals help to put flesh on the bare bones of statistics.

Resp 8 – couple with no children, private tenants. Their income is from benefits only, receiving less than £300 a week. They have difficulties once a month and go without daily essentials to get by.

Resp 10 – single parent with 1 child, private tenant. Her income is a mixture of wages and benefits, amounting to less than £600. She has difficulties every week and goes without daily essentials to try and manage.

Resp 16 – family with two dependent children, private tenants. Their income is a mixture of wages and benefits amounting to less than £600 each week. They have difficulties every other month and borrow from friends or family to get by.

It is clear that neither benefits nor wages for low paid people are sufficient for them and their families to manage an ordinary life without having to resort to action which leads them to feel a loss of human dignity – borrowing from family and friends, using food banks, going without the daily essentials which so many others take for granted – heating, lighting, food. There has to be another way and this report seeks to explore this further.

## Debt and high interest loans

People living on low incomes very rarely have access to cheap credit, and are therefore reliant on door-step lenders or other high interest lenders if a sudden crisis looms – the washing machine breaks down, car problems when they need the car to get to work – but a high interest loan, while it might solve the immediate problem, is probably going to place them in further difficulties, as they will not be able to repay the money.

## Case study

*A single parent (C) has two secondary school age children. They live in privately rented accommodation. She works 15 hours a week in two jobs, both at minimum wage. She receives UC with a housing element, which does not cover all her rent. Electricity and gas are on payment cards, calibrated to collect some of her fuel debts*

*each time she uses them. She is quite unable to manage her essential regular outgoings, without resorting to using credit. C uses catalogues for clothing and small household goods. She has several high interest loans and credit cards, which she uses partly to pay off other debts as they fall due. Altogether, through the arrangements she has in place with creditors, she pays out c £700 per month in debts. Her washing machine has just broken and she knows she will have to resort to more debt in order to have it mended or get a new one. C cannot find a way out of her situation.*

## Heating or eating

A person is living in fuel poverty if, to heat their home to a satisfactory standard, they need to spend more than 10 per cent of their household income on fuel. In 2019 13.4% of households lived in fuel poverty, equating to 3.4 million people. The Northern region has one of the lowest median household incomes in the country, and the North West is third highest for families in fuel poverty. The choice between heating one's home to an acceptable standard, or providing sufficient food for oneself and/or family is a choice which nobody should have to make. Either way the detrimental effects on people's health are acute. Foodbanks play an essential role in helping people make those choices.

## 6 Report Conclusions

This report is broad-ranging and covers many topics but the main conclusion is that when people don't have enough to live off, it costs our society in other ways.

Poor health, education, high stress, poor mental health and an inability to afford the basics costs our society both fiscally and by meaning that people are unable to participate fully in society and fulfil their potential. This makes us all the poorer and can have a devastating effect on those who are unable to afford the basics, especially children.

## 7 A Summary of Our Recommendations

### Low paid work, zero hours contract and the gender pay gap

- Zero hours contracts should be regulated by legislation including a requirement that employers should provide minimum hours for all employment contracts.
- All employers should ensure that they keep robust data on gender and pay, and that they address the gender pay gap, ensuring that men and women are not being paid different rates for the same work
- A properly resourced enforcement agency should ensure that workers' rights are better protected
- We urge all employers in our district to pay the living wage to their staff.

### Universal Credit and Legacy Benefits

- The 5 week wait for the first payment should be removed and replaced with a grant payment once someone has applied and proved their identity
- The 3 week wait for existing claimants moving from one benefit to another should be stopped and benefits should continue with no break
- The local housing allowances should be increased to the average rent
- Benefit rates should be paid at a level that allows people to afford the basics
- The two-child limit and the benefits cap should be removed
- The government should not cut Universal Credit in October 2021 but should increase legacy benefits in line with Universal Credit and continue to increase these benefits in the future so that claimants can cover the cost of living.
- The Universal Credit system should allow people to earn more money when they start working
- Local councils should zero rate council tax for those in receipt of benefits in a standardised way across the country

## Appendices

### Appendix 1: Background information on how Universal Credit works

#### Couples and single people

Claims are either single or joint, depending on who is in the household. A couple living together whether they are married or not are treated as a couple and both must apply to create a joint claim for Universal Credit as one payment is made to a couple. The legislation is vague about what constitutes a couple and in some cases where couples have broken up but are still living together, it can be difficult for clients to be paid as single people.

As many campaigners around domestic abuse have documented since the UC system began, paying one person within a couple each month is fraught with danger for the other person where financial abuse is a problem. Citizens Advice and local foodbanks have seen many examples whereby a joint claim is abused by one partner leaving the other with no money. Where addiction and children are involved, this can lead to destitution.

In addition, many complaints about Universal Credit come from claimants who state that they pay their taxes as individuals and resent being asked to apply for Universal Credit as a couple, especially where they have separate finances. The Help to Claim Project has seen many instances during the pandemic where people aren't eligible for Universal Credit due to their partner's earnings, but who state that they aren't supported by that partner financially. This can cause serious strain in relationships and even lead to them breaking up.

#### No recourse to public funds

Stringent rules around immigration status and benefits mean that there are significant numbers of people who have 'no recourse to public funds' meaning that they are not eligible to claim from the public purse.

While many would agree that it's fair enough that those who are of a different nationality should not be able to live off benefits, the reality for many is that things go wrong when people come and live here, and for them and their children life is almost intolerable if it is not possible to get access to the benefits system in the UK.

Lancaster district is home to many EU workers and refugees and asylum seekers. For those who are living here and unable to access benefits, life is very difficult. A recent court case at the High Court called *Fratilla vs Tanese* ruled that EU residents with pre-settled status should be able to claim Universal Credit but for now this is being appealed and those with pre-settled status are routinely denied Universal

Credit. We do not yet know how this will conclude but for those waiting on a decision, it has created a backlog of appeal cases that will have to be heard in the future.

As the impact of Brexit is felt and the June 30th 2021 deadline for applying to the EU settlement scheme passes, Citizens Advice North Lancashire is expecting a rise in demand for help from EU citizens who find themselves unable to get any help from the state.

## Digital Exclusion

Universal Credit is a digitally administered benefit which means that you must apply for it online unless you have no access to the internet.

For many clients, especially during the pandemic when libraries were closed, it is very difficult for people to manage a claim. All people are assumed to have a device and the knowledge with which to use it, which is not the case.

Caseworkers at CANL report a regular stream of clients who are unable to use the internet and who are really confused by having to apply online, finding the system hard to use and the confirmation of identity almost impossible.

While it is possible to apply over the phone, managing an online claim is difficult and has been made more difficult by the closure of Job Centres during the pandemic. Some rules were relaxed mid-pandemic to make it easier to claim but a “UC Repair” team has now been installed by the DWP who are checking claims that were made and claimants may lose benefits if they have been overpaid, they can’t confirm their details or if their claim has been incorrectly calculated.

It is usually the case that the DWP is always right and the client is always wrong. This makes adjusting problems extremely difficult for clients, especially when they struggle to get hold of someone to help them. Calls to Citizens Advice for help with benefits demonstrates the complexity of the Universal Credit system and how hard it is to manage an online claim.

## Children

Universal Credit contains an element for children. It is paid to the main carer, which creates difficulties for those who may have shared custody. If parents can’t agree who the child element should be paid to, the DWP will decide but it usually goes to the parent who is in receipt of child benefit. Those who care for their children part of the time don’t get the child element which can be difficult. They also do not get to claim for a spare bedroom for children who regularly stay with them within the housing element.

Universal Credit was initially paid with a higher amount for the first child and then a lower amount for subsequent children (in the same way that Child Benefit is calculated). However since 6th April 2017 all children receive the same amount. In

families where third or subsequent children were born after 6th April 2017 the two-child limit applies, meaning that there is no Universal Credit child element paid in respect of them. This creates severe hardship for larger families who may have been affected by the pandemic or unemployment and who find that they will only get support for their first two children.

The Church of England has written specifically about the two-child limit and how it causes hardship for larger families. Their report stated that across the UK 860,000 children are affected by this benefit rule. Each child is missing out on support worth about £2,830 per year so it is a significant sum that families are losing if they have a third or subsequent child and they get into difficulty. It is not possible to get localised statistics about the two-child limit, but we have made a calculation of how it might affect a family with three young children and their likely financial income vs outgoings in the examples that are featured later on in this report. These clearly show that the two-child limit has a severe impact on the ability of families to cope if their circumstances suddenly change and they have to claim benefits.

Research by the Covid Realities project which is run by CPAG and the University of York shows that the two child limit and the benefit cap combined are pushing some families to an income lower than 50% of the poverty line.

<https://covidrealities.org/learnings/write-ups>

<https://www.churchofengland.org/news-and-media/news-and-statements/lift-two-child-limit-benefits-wake-coronavirus-pandemic-report>

## **Appendix 2: How Universal Credit works, and how it doesn't**

The rationale behind a five week waiting period is that it is assumed that when people stop working they have their last month of wages to live off while they apply for Universal Credit and wait for their first payment. In reality, many people don't get paid monthly, don't have final wages or wait until they have no money before they apply for benefits.

The initial month is called the assessment period, which is when HMRC reports any earnings to the DWP and the client's details and circumstances are checked so that the correct amount of money can be calculated. The five week wait has caused a great deal of hardship for clients across the country including in Lancaster District where foodbank use has rocketed as a result of UC being rolled out in our area.

The DWP will provide a loan called an 'Advance Payment' to claimants if they have nothing to live off while they are waiting for their benefits but this has to be paid back out of future benefits over 24 months. Once the first payment is made, UC is then reduced for many subsequent months so that claimants can pay back their 'advance payment' debt, making an already low paid benefit almost impossible to live off.

In a study conducted in June and July 2020 by the Trussell Trust, they found that 47% of Foodbank users were in debt to the DWP. Further research from the Covid Realities project shows that 43% of UC recipients are food insecure - a clear indicator that benefit levels are not enough to live off.

<https://www.independent.co.uk/news/uk/home-news/food-banks-dwp-debt-universal-credit-trussell-trust-b1846383.html>

[https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport\\_Final\\_ForWeb.pdf0](https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf0)

## Work and earnings while on Universal Credit

Universal Credit is designed to make people better off in work. If you are working on Universal Credit, your wages are taken into account and your benefits are calculated accordingly. However, this can make a benefit claim complex especially if pay goes up and down, and if payment dates don't fit neatly with the monthly assessment period that Universal Credit uses.

Some claimants, such as those with a health problem or those with small children are given a work allowance which allows them to keep some of their benefit money before they lose any. After this point the taper is set at 63p in the pound, meaning that for every pound someone earns their Universal Credit is reduced by 63p.

In addition, claimants can claim up to 85% of their childcare costs back when working, but they do have to pay these in the first place which for many people is a barrier to work.

In principle the system is sound, as claimants are not restricted to working 16 hours which was the case with the old system, and they are encouraged to work as much as they want to and not lose all of their benefits. In reality, the system can be complex, hard to understand and is not flexible enough to keep up with fluctuating wages paid sporadically. In addition it also relies on employers reporting wages correctly to HMRC.

Finally, if you are self-employed (as many zero hours employees are), the 'minimum income floor' is a difficult feature of Universal Credit. It assumes that if you are self-employed you are earning 35 hours at the minimum wage whether this is the case or not. For many people this makes working on a zero hours contract as a self-employed person very difficult as they can't rely on Universal Credit to help top up their wages.

37.3% of Universal Credit recipients in Lancaster District are working, which in some ways is a demonstration of how low wages are in our district, as many people are still eligible for benefits despite working.



## Caring Element

A caring element is paid to recipients of Universal Credit if they are caring for someone more than 35 hours each week. This is an additional amount paid in respect of this work and is worth £163.73 per month. It's worth noting however that any award of Carers Allowance is treated by UC as income and is taken off a monthly UC award. It is also worth noting that the Caring Element is only available to people caring for someone who has been awarded Disability Living Allowance, a Personal Independence Payment or Attendance Allowance. With high levels of claimants being turned down for disability benefits, there is a knock on impact on those who care for someone, who are excluded from Carer payments as a result.

## Claimant commitments and those who are sick or disabled

When an application is made for Universal Credit the claimant must agree a 'claimant commitment' with their work coach which puts them into one of four categories. If they are unwell and unable to work then they must supply a fit note from their doctor in order not to be required to look for work. If after 3 months they are still unable to work they can fill out form UC50 and attend a health assessment. They may then be awarded LCW (Limited Capability for Work) or LCWRA (Limited Capability for Work Related Activity), or neither.

- LCW does not come with any additional benefit money but may increase the work allowance (the amount you can take home without losing benefits if you are working). LCWRA does give additional benefit money - £343.63 per month. There are various problems with UC for sick and disabled people and a few of them are:
- Clients often struggle to get fit notes from their doctor on time to submit them to the DWP, especially due to Covid-19
- The UC50 form is long and complex, and clients find it difficult to fill this in, especially if they have issues with literacy. Again, delays within the NHS are making this difficult in many cases due to clients being unable to officially get a diagnosis.
- Clients are often unwell and find dealing with the DWP stressful which impacts their health and wellbeing. For clients who have a terminal diagnosis, being asked if they have six months to live or less is extremely upsetting. A CANL adviser spoke to a client who had a panic attack due to this question.
- There can be a long waiting time between applying for UC and being awarded LCWRA status. For clients who have many additional costs due to illness, they wait a long time before it's awarded to them.
- Covid-19 has led to further delays with assessment times and assessments being done over the phone with assessors being unable to see claimants or gain a full understanding of their health challenges.

## The Benefits Cap

The benefits cap is the maximum that people may receive while claiming benefits and there are different amounts for different scenarios. In Lancaster the benefits cap is £257.69 per week for single people and is £384.62 per week for couples and / or people with children. The numbers of people affected by the Benefits Cap in Lancaster District has increased over time as the cap was reduced and the cost of living has increased.

In the scenarios that we ran for this report, only one of the case studies that we did benefits checks for were affected by the cap. This is due to the relatively low housing costs in our region of the country. However, rent prices are rising due to the housing boom during Covid so this is likely to affect more people in the coming months. In our area, 1.05% of those in receipt of UC are subject to the benefits cap, so it is certainly affecting some, but these numbers are low. As stated, this is one to watch in the future as the cap really hampers people's ability to survive and afford the basics when living on benefits. In major cities, this is a big problem, especially in London. <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-may-2020/benefit-cap-number-of-households-capped-to-may-2020>

<https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-august-2020/benefit-cap-number-of-households-capped-to-august-2020#characteristics-of-capped-households>

## Affording the basics and Universal Credit: our scenarios

**Scenario 1:** A single male aged 23 renting a room in a shared house, living on UC with no car.

Benefit award for this person is £648.42 per month which is

- £344 standard element under 25s
- £304.42 housing element, shared accommodation

Item	Data Source	Monthly cost
Rent – based on ONS average for Lancaster District for shared accommodation	<a href="https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/october2019toseptember2020#rent-prices-by-region">https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/october2019toseptember2020#rent-prices-by-region</a>	£412.00
Water – based on four bedroom house average, divided by four (shared accommodation)	<a href="https://www.unitedutilities.com/my-account/your-bill/our-household-charges-20212022/">https://www.unitedutilities.com/my-account/your-bill/our-household-charges-20212022/</a>	£9.71
Gas and electricity – based on four bedroom house average divided by four	<a href="https://www.electricityprices.org.uk/average-electricity-bill/">https://www.electricityprices.org.uk/average-electricity-bill/</a>	£42.85
Council Tax – assuming full council tax support in Lancaster District	<a href="http://www.entitledto.co.uk">www.entitledto.co.uk</a>	£0.00
TV License (charged per room in shared accommodation)	<a href="https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2">https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2</a>	£13.37
Phone / Internet assuming mobile phone only	<a href="https://kenstechtips.com/index.php/unlimited-data">https://kenstechtips.com/index.php/unlimited-data</a>	£16.00
Travel – monthly bus pass for job hunting and attending job centre (Stagecoach)	<a href="https://www.stagecoachbus.com/regionaltickets/cumbria-and-north-lancashire/morecambe-and-lancaster/megarider">https://www.stagecoachbus.com/regionaltickets/cumbria-and-north-lancashire/morecambe-and-lancaster/megarider</a>	£60.00
Food (no eating out) based on average spend per week for food	<a href="https://www.nimblefins.co.uk/average-uk-household-cost-food">https://www.nimblefins.co.uk/average-uk-household-cost-food</a>	£173.00
Toiletries (assume deodorant, shampoo, shower gel, razors and shaving cream from pound shop) plus laundry detergent, washing up liquid, cleaning fluid also from pound shop		£9.00
Clothing, assume 2 pairs trousers, 2 shirts, 1 winter coat, 1 pair of shoes, 1 pack underwear and 1 packs socks per year from Asda (£127 per year divided by 12)	<a href="https://www.asda.com/">https://www.asda.com/</a>	£10.58
Going out with friends		£0.00
Birthday cards, events, celebrations, anniversaries		£0.00
Emergencies (eg lost mobile phone, broken shoes or clothing, illness, travel to family)		£0.00
<b>Total</b>		<b>£746.51</b>
<b>Benefits income now</b>		<b>£648.42</b>
<b>Left over</b>		<b>-£98.09</b>

Scenario 2: A single male aged 35 renting a one bedroom flat, living on UC in a rural area of Lancaster District with a car. Benefit award for this person is £830.37 per month which is

- Standard element £411.51
- Housing element £418.86 for one bedroom

Item	Data Source	Monthly cost
Rent – based on ONS average for Lancaster District for shared accommodation	<a href="https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/october2019toseptember2020#rent-prices-by-region">https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/october2019toseptember2020#rent-prices-by-region</a>	£475.00
Water – based on one bedroom flat accommodation	<a href="https://www.unitedutilities.com/my-account/your-bill/our-household-charges-20212022/">https://www.unitedutilities.com/my-account/your-bill/our-household-charges-20212022/</a>	£21.72
Gas and electricity – based on one bedroom flat	<a href="https://www.electricityprices.org.uk/average-electricity-bill/">https://www.electricityprices.org.uk/average-electricity-bill/</a>	£26.50
Council Tax – assuming full council tax support in Lancaster District	<a href="http://www.entitledto.co.uk">www.entitledto.co.uk</a>	£0.00
TV License (charged per room in shared accommodation)	<a href="https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2">https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2</a>	£13.37
Phone / Internet assuming mobile phone only	<a href="https://kenstechtips.com/index.php/unlimited-data">https://kenstechtips.com/index.php/unlimited-data</a>	£16.00
Car costs (road tax, insurance, petrol, breakdown cover) assuming he owns it	<a href="https://www.thecarexpert.co.uk/average-car-costs-more-than-160-per-month-to-run/">https://www.thecarexpert.co.uk/average-car-costs-more-than-160-per-month-to-run/</a>	£162.00
Food (no eating out) based on average spend per week for food	<a href="https://www.nimblefins.co.uk/average-uk-household-cost-food">https://www.nimblefins.co.uk/average-uk-household-cost-food</a>	£173.00
Toiletries (assume deodorant, shampoo, shower gel, razors and shaving cream from pound shop) plus laundry detergent, washing up liquid, cleaning fluid also from pound shop	Pound shop	£9.00
Clothing, assume 2 pairs trousers, 2 shirts, 1 winter coat, 1 pair of shoes, 1 pack underwear and 1 packs socks per year from Asda (£127 per year divided by 12)	<a href="https://www.asda.com/">https://www.asda.com/</a>	£10.58
Going out with friends		£0.00
Birthday cards, events, celebrations, anniversaries		£0.00
Emergencies (eg lost mobile phone, broken shoes or clothing, illness, travel to family)		£0.00
<b>Total</b>		<b>£907.17</b>
<b>Benefits income</b>		<b>£830.37</b>
<b>Left over</b>		<b>-£76.80</b>

Scenario 3: A single parent with 2 children of primary age living in a 3 bedroom rented house with a car. Benefit award for this person is £1666.68 including UC and child benefit

This breaks down as £1514.36 Universal Credit

£152.32 Child benefit

Item	Data Source	Monthly Cost
Council Tax – assuming full council tax support in Lancaster District	<a href="http://www.entitledto.co.uk">www.entitledto.co.uk</a>	£65.48
TV License (charged per room in shared accommodation)	<a href="https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2">https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2</a>	£13.37
Phone / Internet assuming mobile phone with unlimited data that can be tethered to other devices	<a href="https://kenstechtips.com/index.php/unlimited-data">https://kenstechtips.com/index.php/unlimited-data</a>	£16.00
Tablet plus internet data for home schooling, per child	<a href="https://www.sky.com/shop/mobile/tablets/samsung/samsung-galaxy-tab-a7-lite?colour=Grey&amp;capacity=32GB">https://www.sky.com/shop/mobile/tablets/samsung/samsung-galaxy-tab-a7-lite?colour=Grey&amp;capacity=32GB</a> £5 per month	£10.00
Car costs (road tax, insurance, petrol, breakdown cover) assuming she owns it	<a href="https://www.thecarexpert.co.uk/average-car-costs-more-than-160-per-month-to-run/">https://www.thecarexpert.co.uk/average-car-costs-more-than-160-per-month-to-run/</a>	£162.00
Food (no eating out) based on average spend per week for food	<a href="https://www.nimblefins.co.uk/average-uk-household-cost-food">https://www.nimblefins.co.uk/average-uk-household-cost-food</a>	£291.00
Personal Goods and Services (taken from JRF)	<a href="https://www.minimumincome.org.uk/results/">https://www.minimumincome.org.uk/results/</a>	£109.37
Clothing and school uniform taken from JRF	<a href="https://www.minimumincome.org.uk/results/">https://www.minimumincome.org.uk/results/</a>	£147.25
Going out with friends, playdates, museums, swimming etc		£0.00
Birthday cards or gifts, events, celebrations, anniversaries		£0.00
Emergencies (eg lost mobile phone, broken shoes or clothing, illness, travel to family)		£0.00
School trips – Assuming 2 trips per term, per child – 12 trips @ £10 each = £120 Non uniform days – 2 per term £1 donation = £12 per year. Dressing up costs for 6 special days per year (eg world book day) £30 Total £162 per year	based on Bowerham School	£13.50
Childcare 2 days per week during school holidays = 26 days @ £22 per day (Lancaster school price) / 12	via Bowerham School / Dallas Road school	£47.67
Appliances and furniture		£0.00
<b>Total</b>		<b>£1,714.98</b>
<b>Benefits income</b>		<b>£1,666.68</b>
<b>Left over</b>		<b>-£48.30</b>

Scenario 4: A couple with three children of senior school age living in a 4 bedroom house with a mortgage, no car, and children have to get the bus to school and back  
UC award is £1353.24 per month because they do not qualify for the housing element due to their mortgage. Child benefit is £212.98 per month.

Item	Data Source	Monthly cost
Mortgage based on average mortgage price for Lancaster 4 bedroom house (average Lancaster house is £222k)	<a href="https://www.moneyadviceservice.org.uk/blog/how-much-does-the-average-mortgage-cost">https://www.moneyadviceservice.org.uk/blog/how-much-does-the-average-mortgage-cost</a>	£671.23
Water – based on four bedroom semi detached house	<a href="https://www.unitedutilities.com/my-account/your-bill/our-household-charges-20212022/">https://www.unitedutilities.com/my-account/your-bill/our-household-charges-20212022/</a>	£38.85
Gas and electricity – based on four bedroom semi detached house	<a href="https://www.electricityprices.org.uk/average-electricity-bill/">https://www.electricityprices.org.uk/average-electricity-bill/</a>	£171.40
Council Tax – assuming full council tax support in Lancaster District	<a href="http://www.entitledto.co.uk">www.entitledto.co.uk</a>	£0.00
TV License (charged per room in shared accommodation)	<a href="https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2">https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2</a>	£13.37
Phone / Internet assuming mobile phone with unlimited data that can be tethered to other devices x 5 devices @ £16 each	<a href="https://kenstechtips.com/index.php/unlimited-data">https://kenstechtips.com/index.php/unlimited-data</a>	£80.00
Tablet plus internet data for home schooling, per child	<a href="https://www.sky.com/shop/mobile/tablets/samsung/samsung-galaxy-tab-a7-lte?colour=Grey&amp;capacity=32GB">https://www.sky.com/shop/mobile/tablets/samsung/samsung-galaxy-tab-a7-lte?colour=Grey&amp;capacity=32GB</a> £5 per month	£15.00
Stagecoach passes per month x 5 (£53 per child, £60 per adult)	<a href="https://www.stagecoachbus.com/regionaltickets/cumbria-and-north-lancashire/morecambe-and-lancaster/megarider">https://www.stagecoachbus.com/regionaltickets/cumbria-and-north-lancashire/morecambe-and-lancaster/megarider</a>	£279.00
Food (no eating out) based on average spend per week for food	<a href="https://www.nimblefins.co.uk/average-uk-household-cost-food">https://www.nimblefins.co.uk/average-uk-household-cost-food</a>	£523.00
Personal Goods and Services (taken from JRF)	<a href="https://www.minimumincome.org.uk/results/">https://www.minimumincome.org.uk/results/</a>	£274.26
Clothing and school uniform taken from JRF	<a href="https://www.minimumincome.org.uk/results/">https://www.minimumincome.org.uk/results/</a>	£298.00
Going out with friends, playdates, museums, swimming etc		£0.00
Birthday cards or gifts, events, celebrations, anniversaries		£0.00
Emergencies (eg lost mobile phone, broken shoes or clothing, illness, travel to family)		£50.00
School trips – Assuming 2 trips per term, per child – 18 trips @ £10 each = £180 Non uniform days – 2 per term £1 donation = £18 per year Dressing up costs for 6 special days per year (eg world book day) £45 Total £243 per year	based on Bowerham School / Central High	£20.25
No childcare costs as both parents unemployed		£0.00
Appliances and furniture		£0.00
<b>Total</b>		<b>£2,434.36</b>

<b>Benefits income</b>		<b>£1,566.22</b>
<b>Left over</b>		<b>-£868.14</b>

Scenario 5: A single parent of three young children who has been widowed. Children were all born after April 2017. Rented accommodation and a car.  
UC is £1453.67 and Child benefit is £212.98 making a total of £1666.65 per month.

Item	Data Source	Monthly Cost
Rent based on ONS average of a 4 bedroom house in Lancaster District	<a href="https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/october2019toseptember2020#rent-prices-by-region">https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/october2019toseptember2020#rent-prices-by-region</a>	£800.00
Water - based on four bedroom semi detached house	<a href="https://www.unitedutilities.com/my-account/your-bill/our-household-charges-20212022/">https://www.unitedutilities.com/my-account/your-bill/our-household-charges-20212022/</a>	£38.85
Gas and electricity - based on four bedroom semi detached house	<a href="https://www.electricityprices.org.uk/average-electricity-bill/">https://www.electricityprices.org.uk/average-electricity-bill/</a>	£171.40
Council Tax - assuming full council tax support in Lancaster District	<a href="http://www.entitledto.co.uk">www.entitledto.co.uk</a>	£0.00
TV License (charged per room in shared accommodation)	<a href="https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2">https://www.tvlicensing.co.uk/check-if-you-need-one/topics/tv-licence-types-and-costs-top2</a>	£13.37
Phone / Internet for one adult assuming mobile phone with unlimited data that can be tethered to other devices	<a href="https://kenstechtips.com/index.php/unlimited-data">https://kenstechtips.com/index.php/unlimited-data</a>	£16.00
tablet plus data for 1 child (school age)	<a href="https://www.sky.com/shop/mobile/tablets/samsung/samsung-galaxy-tab-a7-lte?colour=Grey&amp;capacity=32GB">https://www.sky.com/shop/mobile/tablets/samsung/samsung-galaxy-tab-a7-lte?colour=Grey&amp;capacity=32GB</a>	£5.00
Travel costs for a car	<a href="https://www.thecarexpert.co.uk/average-car-costs-more-than-160-per-month-to-run/">https://www.thecarexpert.co.uk/average-car-costs-more-than-160-per-month-to-run/</a>	£162.00
Food (no eating out) based on average spend per week for food	<a href="https://www.nimblefins.co.uk/average-uk-household-cost-food">https://www.nimblefins.co.uk/average-uk-household-cost-food</a>	£475.80
Personal Goods and Services (taken from JRF)	<a href="https://www.nimblefins.co.uk/average-uk-household-cost-food">https://www.nimblefins.co.uk/average-uk-household-cost-food</a>	£191.97
Clothing and school uniform, taken from JRF	<a href="https://www.minimumincome.org.uk/">https://www.minimumincome.org.uk/</a>	£188.67
Going out with friends, playdates, museums, swimming etc		£0.00
Birthday cards or gifts, events, celebrations, anniversaries		£0.00
Emergencies (eg lost mobile phone, broken shoes or clothing, illness, travel to family)		£0.00
Childcare	None as parent is single and unable to work due to number of children	£0.00
Appliances and furnitures		£0.00
Total basic cost of living		£2063.06
Benefits income		£1666.65
Left over		-£396.41



## Appendix 3: Universal Basic Income.

With the £20.00 cut to Universal credit the likelihood of many falling further below the poverty line is a major threat. This cut as shown by the report above shows the faults in the Universal credit system as well as the fact that Universal credit often does not provide the required financial security. There are numerous and varied ways that governments attempt to structure welfare however, perhaps the most forward thinking and interesting way is Universal Basic Income (UBI). As with all structures regarding welfare there are positives and negatives. Furthermore, regarding UBI there are also numerous ways it can be applied, which often are not agreed on by the research teams running the experiments. These experiments focused on UBI have or are currently being conducted in a wide array of countries such as South Korea and Finland.

### What is UBI?

UBI has many structures and variations but the most commonly tested is a monthly payment to citizens free of charge and with no strings attached. This for many sounds too good to be true however, many countries and states have already begun trials such as in Finland, South Korea and California.

In South Korea's case it was such a success that it will now be open to more than 13 million people in the Gyeonggi Province. In South Korea's case residents would receive up to KRW 500,000 (\$443) per month to spend whatever they wish to on. However, this must be spent in local areas to stimulate the local economy for the Gyeonggi Province in the wake of the global pandemic. This new influx of cash helped to offset the losses caused by the pandemic to local businesses with some businesses losing up to 90% of their sales. As the money must be used in local areas and not at foreign chains such as McDonalds it has helped bring in new customers for many local businesses that would have not shopped locally previously increasing sales in the area by 45%.

In other cases, the cash received would be able to be spent anywhere in the world which is more akin to Philippe Van Parijs' proposed structure for UBI. Perhaps the biggest advocate for UBI is Van Parijs, his book 'Real freedom for all' published in 1995 champions UBI. He believes that all citizens above 18 should be paid a monthly income as high as the state can sustainably afford to pay its citizens. This UBI would also be coupled with the existing benefits system to ensure that those that are disadvantaged still have the opportunity to achieve whatever life ambition they wish to. The reason Van Parijs champions UBI is he believes every citizen in a state should have the opportunity for 'real freedom' not just freedom. Real freedom refers to having the ability to chase your life ambitions. This is embodied by the notion of the surfer on Malibu beach (the picture that is on the front of Van Parijs' book). Van Parijs argues that if an individual's life goal is simply to surf on Malibu beach, they should be able to follow that dream. This notion isn't exclusive to surfers. If an individual has the constant security of UBI they could take a lower paying job that

they truly enjoy or take longer when unemployed to choose a job they actually want opposed to staying in or rushing into a job out of need for financial security. This Van Parijs believes is 'real freedom' and UBI is the most effective way to ensure all citizens have an opportunity to follow their life ambitions.

## Positives

One of the largest positives of UBI opposed to the existing benefits system is that it will always be paid no matter your change in income. As in certain situations an individual would receive more money from benefits than they would if they got a job. This creates a 'ceiling' for many households as even if they wish to work it is financially more viable to stay on benefits.

However, with UBI an individual would still receive money even if they did get a job. This would create a 'floor' for many less fortunate citizens to build upon; opposed to the benefits system which can often create a 'ceiling'. Under the current benefits system there are situations in which people don't work as they receive more money on benefits. This results in them being trapped under a 'ceiling' and reliant on benefits. Whereas UBI provides a baseline that can be built upon as it is a constant income per month no matter what situation you are in. UBI could also provide bargaining power for those with the lowest paid jobs in society as the security given by UBI would allow trade unions to strike easier and force employers to accept demands for higher wages and better working conditions as they would not have to force themselves to work out of necessity for financial stability.

Another massive positive is the lack of bureaucracy needed. As all citizens would be paid UBI there is no need for means tests or complicated situations with universal credit changing. There would be no need to apply online with sub-par tech skills that many still struggle with and as UBI is paid in cash there would not even be need for a bank account. Considering the numerous issues with bureaucracy surrounding universal credit, many of which were outlined in the report above, it is a massive positive that the poorest in society could get a stable income without the hassle caused by many welfare systems including universal credit.

The most important thing that UBI provides according to Van Parijs is the opportunity to follow your life's ambitions. Van Parijs believes that UBI in tandem with the welfare system is the best possible way to achieve his notion of 'real freedom' where even the surfer on Malibu beach can do what gives their life meaning. This is something that welfare on its own can simply not achieve.

## Negatives

As with all things UBI has its criticisms. The most prominent criticism is regarding how UBI would be financed. In Finland although the trial was largely successful those in charge of the experiment decided not to continue the research. The biggest problem being the lack of funding available as to fund UBI for just 2000 people

costed almost 27,000,000 euros for 2 years. The situation in South Korea makes the cost of UBI much clearer. Governor Lee Jae-Myung has promised UBI to all South Koreans paying each of them regardless of age or income around \$430 a month if he wins the Presidential elections (in which he is winning in the poles). Governor Lee's proposed plan would cost the country around 27 billion showing the expenses involved in UBI. A reason South Korea is prepared to trial UBI despite the costs is due to the fact that it is one of the most heavily automated countries in the world. Therefore, UBI ensures that South Koreans that lose their jobs to new technology aren't hit by the loss of jobs as hard as they would have been without UBI. There is also the argument that a singular welfare system such as UBI would make it easier for governments to manipulate the welfare system to gain favour with potential voters.

As threats to cut or expand would have a much more wide-reaching impact to citizens across the country than benefits alone would have. This means the system could be exploited for the benefit of politicians and corruption in government could be a result. Some would also argue that if UBI paid enough to ensure that an individual would not have to work what is to stop that individual from freeloading on the state, after all why should hard working people pay taxes so someone can simply lie on a beach all day? This is a serious criticism as why should we support those that pay help and aid the state however actively choose not to. These reasons are why the discussion on UBI is so complex and contentious.

## Conclusion

UBI has the potential if done correctly to keep the benefits of a free market and the economic benefits of capitalism whilst also ensuring that all citizens have the ability to follow their life's ambitions and achieve Van Parijs' notion of 'real freedom'. However, there are of course key criticisms. The funding issue is the biggest obstacle to the success of UBI. The problem is not purely the vast expense but that no one can agree on what is the best way to fund UBI. Many from the Right Libertarian perspective think that UBI should simply replace benefits which would mean the funding would come directly from the replaced benefit system. However, others such as Van Parijs wish for UBI to work in tandem with the existing benefits system. This means funding must be found another way.

The most common solutions are to cut the money defence spending or to increase taxes. Both solutions are complicated economic issues which makes the issue of funding UBI even harder. However, when a country is dedicated to the idea as in South Korea it is possible to find a way especially with the vast GDPs of many countries. The threat of many governments' intervention is also an issue but should be avoidable for most liberal democracies, not to mention the fact that if UBI was to work in tandem with benefits the impact of government exploitation for UBI would be minimised as benefits would still be a separate entity that people could fall back on. Finally, the question of what would people do if they did not have to work? Well

based off trials in Canada during the 1970s only 1% of the recipients of UBI stopped working (mostly to take care of children) and on average cut hours less than 10%.

Often this time was used to go back to school and further education or to look for a better or more enjoyable job. This shows that even when given handouts people are not lazy and do generally work simply using the extra money to improve their qualifications or even to save money and pay off debts. The same study in Canada showed that the recipients were more likely to save than waste the handouts on Alcohol or Tobacco.

As for the so-called surfer on Malibu beach, even though the individual would not contribute to society do they not deserve a chance to live out their own dreams? Therefore, despite the difficulties in securing funding and the numerous variations that could be implemented there likely is not a better system to ensure that all have the opportunity for Van Parijs' notion of 'real freedom' than UBI.

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