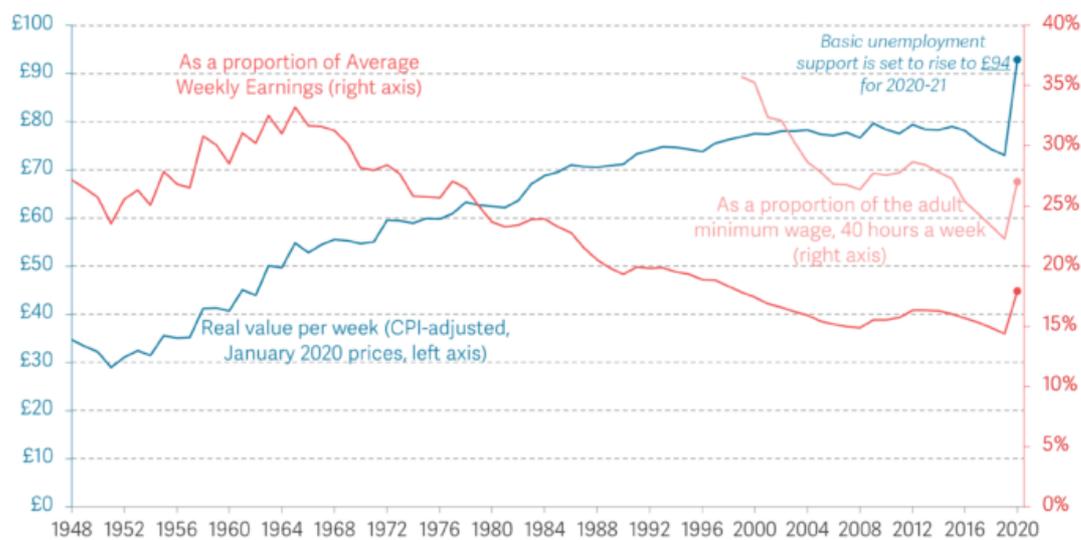


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## POOR CHILDREN NEED A CORONAVIRUS BONUS

It was a welcome step for the Chancellor to increase the Universal Credit (UC) standard allowance and the Working Tax Credit basic element by £20 per week as part of his response to the Corona Virus. According to Brewer and Gardiner<sup>1</sup> “Having recently fallen to their lowest real-terms value since the early 1990s, the main adult rate of unemployment benefits is now at its highest ever level, as the chart below shows. Relative to average earnings, it is at its highest level since 1998-99.”

The value of the main rate of unemployment-related benefit over time



Notes: Full-time earnings on the minimum wage calculated based on a 40-hour week.  
Source: RF analysis of IFS, Fiscal Facts; ONS; Bank of England.

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What is still missing from the whole package is any response to benefits for children. Children have been sent home from school and although vouchers have been promised for children who will miss free school meals only about 20% of children are eligible<sup>2</sup>, 65% do not claim their entitlement<sup>3</sup> and the voucher scheme will not replace the universal free school meals provided for the under eights. Child poverty rates were rising before the Covid-19 crisis and are likely to rise further now.<sup>4</sup>

This note explores the likely impact on household poverty and on child poverty of the UC and CTC increases and how it would compare with a £10 per child per week increase in child benefit which Child Poverty Action group has advocated as a response to the crisis.

<sup>1</sup> Brewer, M. and Gardiner, L. (2020) Key take-aways from the Chancellor’s package of measures to support workers in the coronavirus crisis, Resolution Foundation 22 March.

<sup>2</sup> Bradshaw, J. and Keung, A. (2018) New free school meals criteria.

<http://jonathanbradshaw.blogspot.co.uk/2018/03/new-free-school-meals-criteria.html>

<sup>3</sup> <https://www.channel4.com/news/factcheck/factcheck-labour-arent-telling-the-full-story-about-free-school-meals>

<sup>4</sup> 2018/19 HBAI published 26 March 2020.

We do this by modelling the impact of the increases by applying them to household income using the 2017/18 Households Below Average Income data based on the Family Resources Survey (the latest available). No assumptions have been made about the impact of the crisis on employment and earnings, nor about households who become eligible to claim UC as a result of those changes. One dilemma is that it appears that the £20 up-lift does not apply to those still receiving the legacy benefits (mainly JSA and ESA) but only to those who are receiving working tax credit or universal credit. Apart from this being unfair it creates an incentive for those on legacy benefits to apply for UC (offset by the need to wait five weeks for UC). According to the DWP<sup>5</sup> in 1997/98 there were 350,000 claiming income tested JSA and 1.38 million claiming income tested ESA. These numbers especially the JSA claimants will have fallen since then. But DWP have been migrating people from legacy benefits to UC very slowly and on an experimental basis (in Harrogate!). Can they really cope with a sudden influx of new claims, in addition to the huge influx of claims coming from the newly unemployed? They are already recruiting 10,000 extra staff.

For our purposes we do the analysis twice - first giving the uplift to those on UC or WTC only and then repeating it for those on ESA, JSA, WTC or UC.

We use weighted data which adjusts the sample to match the population. We do not adjust the poverty threshold before or after the top-up. No allowance is made for the Child Benefit claw back but as we are only interested in changes in poverty this would not have any impact.

## **Results**

The Tables in Part 1 show the impact on child poverty (1a) and household poverty (1b) of the £20 per week increase in UC and WTC. The Tables in Part 2 show the impact on child poverty (2a) and household poverty (2b) show the same but extending the top up to recipients of JSA and ESA as well as those on WTC or UC.

In all cases the impact of the top up on poverty is very small – less than 2 percentage points for child poverty and less than 1 percentage point for household poverty. This contrasts with the impact that an increase in child benefit of £10 per child per week will have on child and household poverty rates shown in Part 3. Table 3a shows that child poverty rates would be reduced by about 5 percentage points and household poverty by 1-2 percentage points.

## **Conclusion**

The needs of families with children have not been recognised in the Covid-19 measures. An increase in child benefit would be much more effective than the announced increases in UC and WTC. It would reduce child poverty more and also reduce household poverty more, not least because households with children are much more likely to be poor.

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<sup>5</sup> <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2018>. There is a good deal of doubt about the current figures because DWM has started reporting UC unemployed case load with JSA and incapacity case load with ESA. We can no longer see who is not on UC.

**Part 1: Analysis of the impact of income increase by £20 per week for working age families in receipt of UC or WTC on child poverty rates.**

**Table 1a: Relative child poverty rates (< 60% median income) before and after weekly £20 top up for working age families in receipt of UC or WTC. (HBAI 2017/18 weighted by GS\_NEWCH)**

Relative child poverty rates	BHC	AHC
Before top-up	21.8%	29.5%
After top-up	20.5%	28.2%
Total number of children in working age families	13,647,812	

*Note: without adjusting the median income after top-up.*

**Table 1b: Relative household poverty rates (< 60% median income) before and after weekly £20 top up for working age families in receipt of UC or WTC (HBAI 2017/18 weighted by GS\_NEWBU)**

Relative household poverty	BHC	AHC
Before top-up	16.1%	22.0%
After top-up	15.8%	21.7%
Total number of working age families	25,830,458	

*Note: without adjusting the median income after top-up.*

**Part 2: Analysis of the impact of income increase by £20 per week for working age families in receipt of UC or WTC or JSA or ESA on child poverty rates.**

**Table 2a: Relative child poverty rates (< 60% median income) before and after weekly £20 top up for working age families in receipt of UC or WTC or JSA or ESA. (HBAI 2017/18 weighted by GS\_NEWCH)**

Relative child poverty rates	BHC	AHC
Before top-up	21.8%	29.5%
After top-up	20.0%	28.0%
Total number of children in working age families	13,647,812	

*Note: without adjusting the median income after top-up.*

**Table 2b: Relative household poverty rates (< 60% median income) before and after weekly £20 top up for working age families in receipt of UC or WTC or JSA or ESA. (HBAI 2017/18 weighted by GS\_NEWBU)**

Relative household poverty rates	BHC	AHC
Before top-up	16.1%	22.0%
After top-up	15.4%	21.4%
Total number of working age families	25,830,458	

*Note: without adjusting the median income after top-up.*

**Part 3: Analysis of the impact of increasing CB by £10 per week per child for families with dependent children on child poverty rates**

**Table 3a: Relative child poverty rates (< 60% median income) before and after £10 Child Benefit top up per week per child. (HBAI 2017/18 weighted by GS\_NEWCH)**

Relative child poverty rates	BHC	AHC
Before top-up	21.8%	29.4%
After top-up	16.3%	24.5%
Total no. of children	13,717,030	

**Table 3b: Relative household poverty rates (< 60% median income) before and after £10 Child Benefit top up per week per child (HBAI 2017/18 weighted by GS\_NEWBU)**

Relative household poverty rates	BHC	AHC
Before top-up	16.1%	22.0%
After top-up	15.0%	20.9%
Total no. of working age families	25,830,458	

Data source:

Department for Work and Pensions. (2019). Households Below Average Income, 1994/95-2017/18. [data collection]. 13th Edition. UK Data Service. SN: 5828, <http://doi.org/10.5255/UKDA-SN-5828-11>