Institute for Public Policy Research

TOWARDS REAL SOCIAL SECURITY

EMBEDDING A LONG-TERM APPROACH TO UNIVERSAL CREDIT

Henry Parkes and
Melanie Wilkes

October 2023

ABOUT IPPR

IPPR, the Institute for Public Policy Research, is an independent charity working towards a fairer, greener, and more prosperous society. We are researchers, communicators, and policy experts creating tangible progressive change, and turning bold ideas into common sense realities. Working across the UK, IPPR, IPPR North, and IPPR Scotland are deeply connected to the people of our nations and regions, and the issues our communities face.

We have helped shape national conversations and progressive policy change for more than 30 years. From making the early case for the minimum wage and tackling regional inequality, to proposing a windfall tax on energy companies, IPPR's research and policy work has put forward practical solutions for the crises facing society.

IPPR
8 Storey's Gate
London
SW1P 3AY
E: info@ippr.org
www.ippr.org
Registered charity no: 800065 (England and Wales), SC046557 (Scotland)

This paper was first published in October 2023. © IPPR 2023

The contents and opinions expressed in this paper are those of the authors only.

The progressive policy think tank

CONTENTS

Summary 5
1. Introduction 6
2. We are failing to tackle poverty in the UK 6
3. The political drivers of inadequate social security 13
4. The need for an evidence-led, long-term approach to social security 15
5. The role of a new independent body for social security 17
6. Conclusion 20
References 21

ABOUT THE AUTHORS

Henry Parkes is head of quantitative analysis at IPPR.

Melanie Wilkes is associate director for work and the welfare state at IPPR.

ACKNOWLEDGEMENTS

The authors wish to thank the following stakeholders for participating in interviews to inform this work; Kate Bell, Dan Corry, Gavin Kelly, Katie Nield, Emma Norris, Tom O'Grady and Jill Rutter.

At IPPR, we also wish to thank Harry Quilter-Pinner and George Dibb for their input.

The authors also wish to thank participants from Changing Realities - parents and carers living on a low-income, who have contributed to discussion about the policy changes needed; and have greatly helped us disseminate the central messages from this report by contributing to media work. We would also like to thank members of the Changing Realities research team including Uisce Jordan, Ruth Patrick and Jim Kaufman. Changing Realities is a collaboration between parents and carers on a low-income, researchers at the University of York and Child Poverty Action Group. Its core funding is from Abrdn Financial Fairness Trust.

This work has been generously supported by the Joseph Rowntree Foundation (JRF) and Lloyds Bank Foundation for England and Wales. JRF has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policymakers, practitioners and service users. The views expressed in this report are, however, those of the authors and not necessarily those of JRF.

Download

This document is available to download as a free PDF and in other formats at:

http://www.ippr.org/research/publications/towards-real-social-security

Citation

If you are using this document in your own writing, our preferred citation is:

Parkes H and Wilkes M (2023) *Towards real social security: Embedding a long-term approach to universal credit*, IPPR. http://www.ippr.org/research/publications/towards-real-social-security

Permission to share

This document is published under a creative commons licence:
Attribution-NonCommercial-NoDerivs 2.0 UK
http://creativecommons.org/licenses/by-nc-nd/2.0/uk/
For commercial use, please contact info@ippr.org

SUMMARY

Our safety net is failing to protect people from being pulled into poverty. Universal credit is simply inadequate to meet day to day living costs. This means despite temporary cost of living payments, many households face deep financial precarity, using loans to cover bills and, in some cases, going without heating or hot meals.

Poverty is a systemic challenge that requires a strategic, ambitious and collaborative response. But too often, public debates about social security get stuck in short-term, narrow questions, missing the opportunity to build a shared ambition for our social security system.

In the absence of a mission-led approach, social security policy is seen in narrow and negative terms about reducing costs or managing risks of fraud. Harmful rhetoric and ill-informed stereotypes about life on a low income have contributed to this, eroding trust in the system and creating the conditions that have enabled the UK to maintain one of the least generous rates of income replacement across the OECD.

RECOMMENDATIONS

- **Politicians should come together to agree a cross-party ambition for social security.** This should involve an open debate about the future role of social security as a force for good in tackling poverty, with a view to establishing a shared goal for social security levels, supported by all major political parties.
- **We need a Turner Commission for universal credit. Led by a high profile, impartial chair, it should be tasked with delivering a bottom-up costing of core needs.** This should include an in-depth exercise to determine the level of income needed to maintain an adequate standard of living and participate fully in society, informed by consultation and research with individuals living on a low income to explore assumptions and recommendations, alongside engagement with expert stakeholders.
- **A new independent body for social security** should be developed to take forward the work outlined by the commission. This would serve to:
    - review progress and hold government to account on agreed commitments
    - provide transparency and clarity to policy debates about social security
    - monitor any impacts of changes in rates on labour market participation and social security caseloads, and generate a new UK evidence base in this area
    - advise on changes in trajectory in accordance with the above, considering planned changes in rates or any changes in living costs and adjusting where appropriate
    - advise on potential responsive interventions in the event of sharp increases in living costs.

1. INTRODUCTION

The UK's social safety net is not working. It's failing to protect people from poverty, and is disconnected from the realities of life on a low income. While in the past it has been used as a powerful tool to raise living standards for children and older people, welfare policy is increasingly characterised by short term fixes that fail to address the underlying problem of inadequacy, rather than grounded in shared social values or a vision for society.

This paper has been developed with people with direct experience of the current system: the three core proposals were explored with and supported by people in receipt of social security benefits through a workshop with the Changing Realities project. It provides a blueprint for a longer term, purpose driven approach to social security.

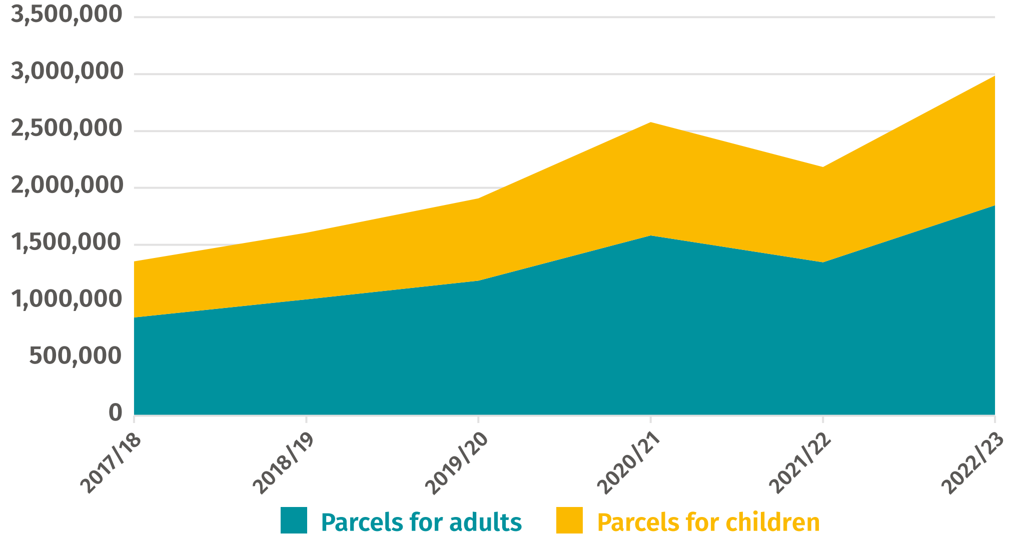
2. WE ARE FAILING TO TACKLE POVERTY IN THE UK

5.7 million low-income households are skipping meals because they don't have enough money for food (JRF 2023b) and households are relying on borrowing to stay afloat, with a growing proportion operating 'negative budgets' (Upton 2023).

Food bank use is at a record high with 3 million packages distributed in 2022/23 by the Trussell Trust alone (Trussell Trust 2023). And there is no end in sight. Although inflation is slowing, the cost of essentials is still rising.

FIGURE 2.1: FOOD PARCEL DISTRIBUTION IS RISING ACROSS THE UK

Number of parcels distributed by Trussell Trust 2017/18 to 2022/23

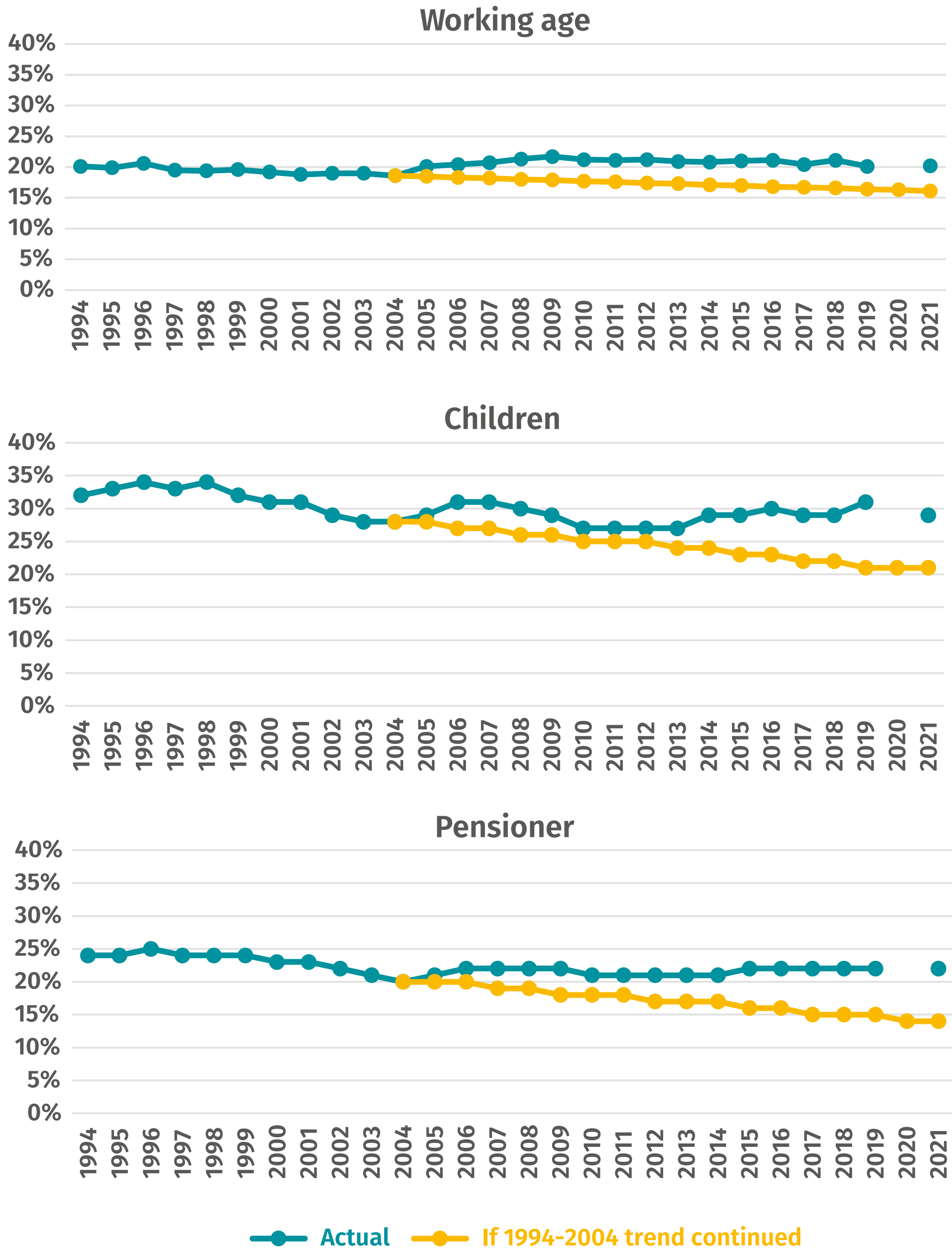


Source: Trussell Trust 2023

Throughout the late 90s and early 00s, relative poverty was gradually falling across the board – but since then progress has stalled or reversed. Had those earlier trends and progress continued we would be in a very different place today, for example more than 1.2 million fewer children would be in poverty.

FIGURE 2.2: PREVIOUS PROGRESS TO REDUCE RELATIVE POVERTY HAS STALLED OR REVERSED

Relative poverty trends: actual and if earlier trends had continued



Source: IPPR analysis of DWP 2023c

There are a number of factors which affect poverty and destitution, including low-quality work and insufficient hours, spiralling housing costs and health and disability. But social security will always be core to the story, particularly for those not in a position to work (or work full-time), some of whom are facing the greatest challenges in our society.

Beyond that, there are economic reasons to build an adequate social security system which we outline below.

Inadequate social security undermines work-search

Evidence suggests that social security systems with lower replacement rates[1] are associated with worse employment outcomes. This relates in part to the up-front costs of moving in to work,[2] but also the cognitive impact of poverty. There is growing evidence that individuals claiming social security, exhausted by the day-to-day struggles of budgeting and supporting their families on very low incomes, have diminished capacity to find and apply for appropriate work (Porter et al 2023).

A poor safety net contributes to a low-pay low-productivity equilibrium

Low social security rates can undermine job quality and pay. Simply put, if life is very hard when out of work, then unscrupulous employers can 'get away' with poorer pay and conditions than they would be able to do otherwise. Higher universal credit rates would place upwards pressure on wages and conditions, incentivising firms to invest in productivity-enhancing technologies. In other words, threadbare social security contributes to our low-pay, low-productivity equilibrium and leads to worse labour-market matching.

Poverty brings additional costs to the state elsewhere

Living in poverty has wide-ranging negative impacts on individuals from significantly worse physical and mental health outcomes (Fogden et al 2022) to poorer educational results (Farquharson et al 2022), affecting life chances and fuelling a cycle of deprivation. Children exposed to poverty have been shown to be more likely to commit crimes as adults (Nuffield Foundation 2023). While inherently unfair, all of the above is also extraordinarily costly through additional government spending and lost output through wasted potential. The costs of child poverty alone are estimated at £40 billion per annum (Hirsch 2023).

The UK's social security system is complex, with live debates unfolding about reforms to payments to help meet the extra costs of disability, the state pension, and contributions-based support. This briefing is focussed on income-related benefits, setting out the need to rethink both the levels of financial support in universal credit, along with how they are changed over time.

ARBITRARY UNIVERSAL CREDIT RATES BEAR NO RELATION TO LIVING COSTS

A fundamental challenge with universal credit is that payment levels are not grounded in living costs, but are more akin to a historic accident, as set out recently in evidence to the Work and Pensions Select Committee.

> ***"There has never been a foundation of rationale for benefit levels. They have been uprated to an arbitrary figure that was set in 1948, which undercut recommendations in 1942 that were based in a report from 1936. There has never been an official government investigation of the adequacy of benefits…"***
> Professor Sinclair (HoC 2023)

1 The replacement rate is a measure of the generosity of social security. It indicates out of work income as a proportion of average in-work income.

2 For example, criminal record checks, insurance or professional accreditation.

Recent efforts to 'benchmark' universal credit against what is needed to get by reveal a large gap in support. To inform their 'essentials guarantee', the Joseph Rowntree Foundation and Trussell Trust have conducted research to itemise what might be reasonably expected as a minimum needed to afford basic essentials, beyond housing costs.

TABLE 2.1: REASONABLE EXPECTATIONS OF THE COSTS OF BASIC ESSENTIALS ACCORDING TO THE 'ESSENTIALS GUARANTEE'

Essential	Single	Couple
Food and non-alcoholic drinks	£37	£67
Electricity and gas	£35	£44
Water	£6	£7
Clothes and shoes	£6	£13
Communication, including phone and postage	£8	£11
Travel	£16	£32
Sundries (for example, toiletries, haircuts, cleaning materials)	£13	£23
Total	**£120**	**£200**

Source: JRF (2023)
Note: Totals may not sum due to rounding.

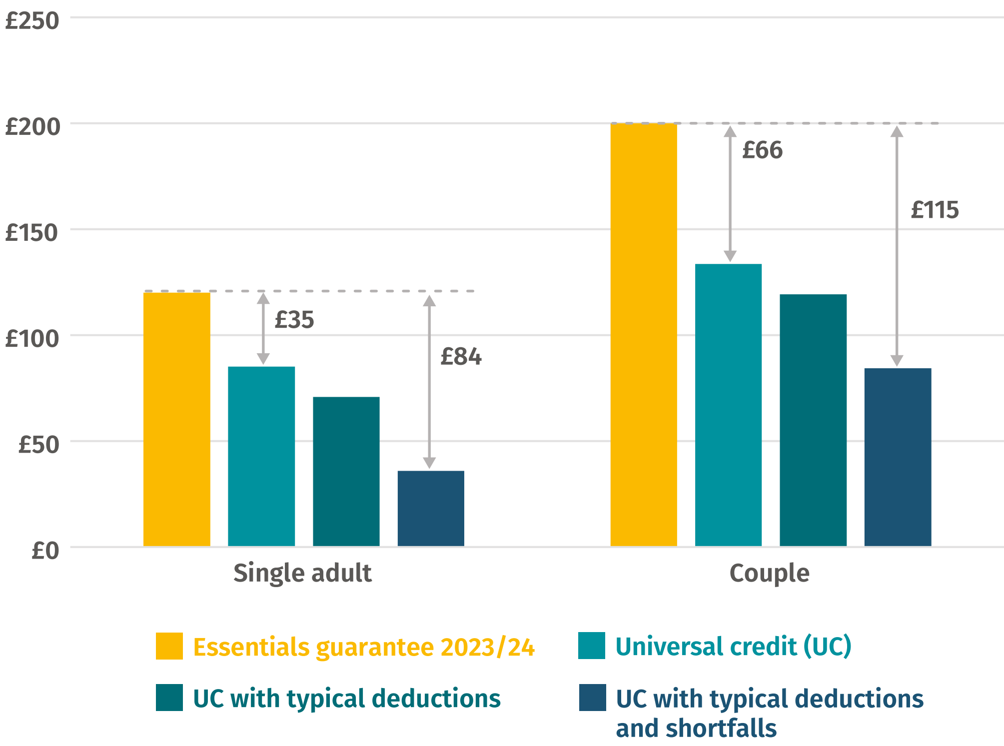
Although to some extent any assessments are subjective, the findings are stark, with gaps of £35 per week for a single person and £66 for a couple getting universal credit.

These gaps may represent a best-case scenario given that:

- 45 per cent of claimants are subject to deductions from their universal credit payments to repay debt to government, on average leading to a £14 a week deduction in the latest data available (UK Parliament 2023).
- 59 per cent of private renters on universal credit face a shortfall between how much they can claim for their housing and their actual rent (DWP 2023) – averaging £35/week in 2022 (Shelter 2022). This eats away at financial support intended to meet other essential costs.

FIGURE 2.3: INCOME GAPS ARE LARGE, PARTICULARLY FOR THOSE EXPERIENCING DEDUCTIONS AND HOUSING SHORTFALLS

Estimated weekly shortfalls between financial support on universal credit and essentials guarantee



Source: IPPR analysis using Trussell Trust 2022, Shelter 2022 and DWP 2023b
Note: Analysis excludes emergency cost-of-living payments in 2023/24, which reduce shortfalls by £17/week for all households but not included due to their temporary nature.

For single households without deductions or housing shortfalls, the likely gap is £35 a week, whereas those who experience both might face shortfall of £84 a week between their income and typical essentials – which is a shortfall of over £4,000 a year.

HOW IS SOCIAL SECURITY INCREASING OVER TIME?

Over the last 50 years, benefits have increased gradually, roughly tracking the headline rate of inflation, the consumer price index (CPI).

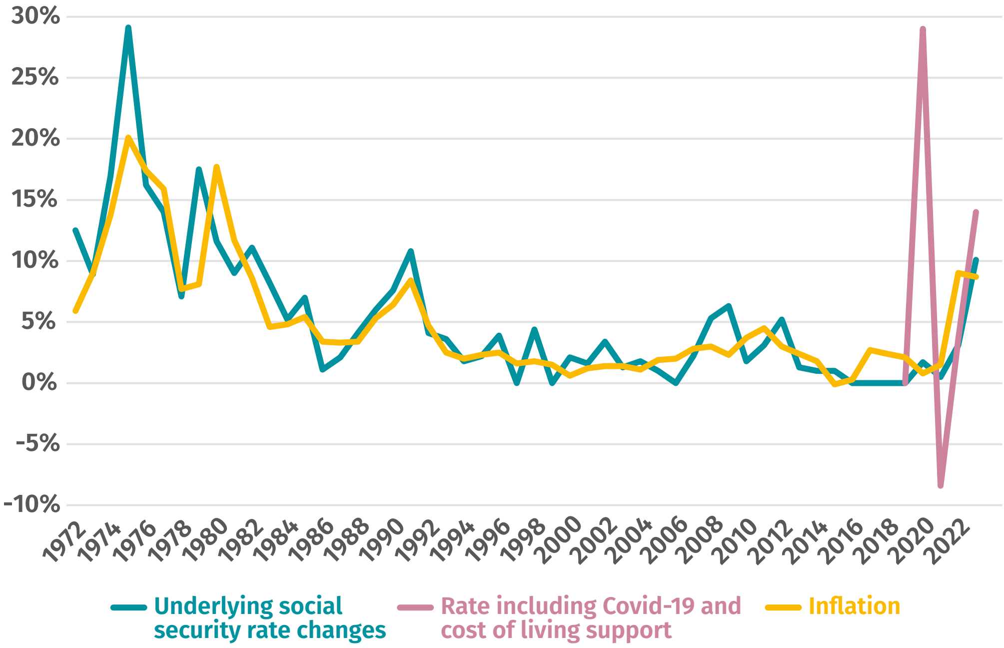
Recent policy has broken this historic link.

- The ‘benefit freeze’, fixing benefits between 2015-2020 in cash terms. This continues to have reverberations: a couple with two children would be over £850 a year better off through universal credit in 2023/24 if benefit levels had continued to track the headline rate of inflation (IPPR analysis of DWP 2023b and ONS 2023a).
- The £20 uplift to universal credit introduced through the pandemic saw social security levels increase by up to a third in some cases[3] (IPPR analysis of DWP 2019) only for them to dramatically fall 18 months later as inflation began to climb.

3 For single households under 25.

FIGURE 2.4: BENEFITS HAVE ROUGHLY TRACKED INFLATION OVER TIME, WITH THE EXCEPTION OF SOME PERIODS

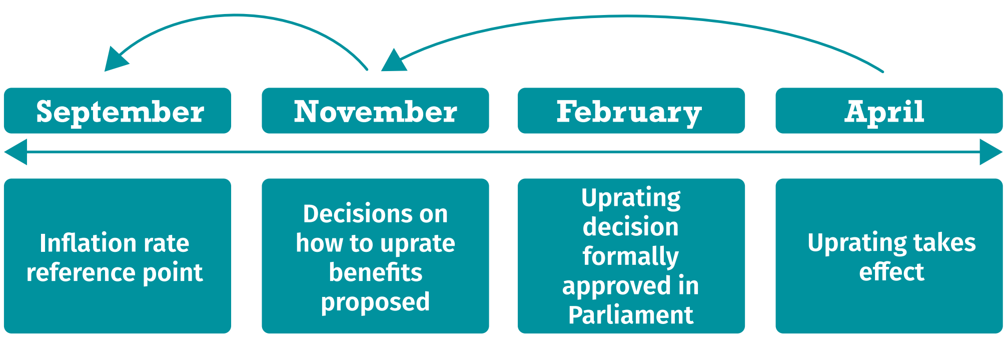
Comparing inflation and growth in social security rates over time



Source: IPPR analysis of HoC 2013, ONS 2022 2023 DWP 2023b.
Note: Analysis uses main rate of out of work-benefit over time, through universal credit and predecessor benefits such as jobseeker's allowance.

Decisions on how to uprate benefits are made long before they take effect as figure 2.5 illustrates.

FIGURE 2.5: TIMELINE FROM UPRATING BENEFITS TO CHANGES COMING IN TO EFFECT



Source: Authors' analysis

This can cause issues in periods of significant and volatile inflation, as we have seen recent times. The headline rate increased by just 3.1 per cent between 2021/22 and 2022/23, based on inflation at September 2021, however the inflation rate over the year that followed was an eye-watering 10 per cent (ONS 2023). More broadly, there is evidence that low-income households faced higher inflation still due to their 'basket of goods' being more heavily skewed to essentials which have risen faster in price (ONS 2023c).

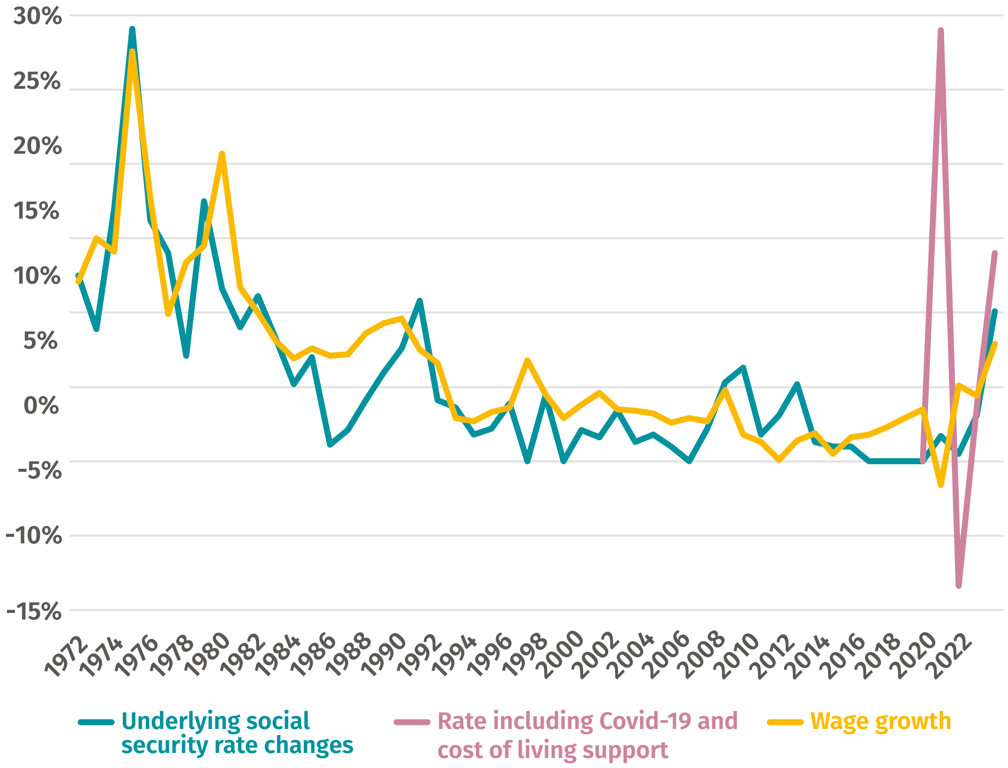
In response to the timing issue, the government introduced emergency 'cost of living payments', but they were poorly targeted, providing a flat rate to all households on universal credit regardless of their circumstances. As an illustration, a single household received five times as much cash support (on a per person basis) for a single adult as a couple with three children. A more targeted approach is needed to protect livelihoods in future.

SOCIAL SECURITY HAS FAILED TO KEEP UP WITH EARNINGS

Although increases in social security have generally followed the same trend as price changes, the same cannot be said for its relationship with earnings growth.

FIGURE 2.6: SOCIAL SECURITY PAYMENTS HAVE GROWN MUCH MORE SLOWLY THAN WAGES

Comparing earnings growth with changes in social security rates over time



Source: DWP analysis of HoC 2013 DWP 2020b ONS 2021 2023b

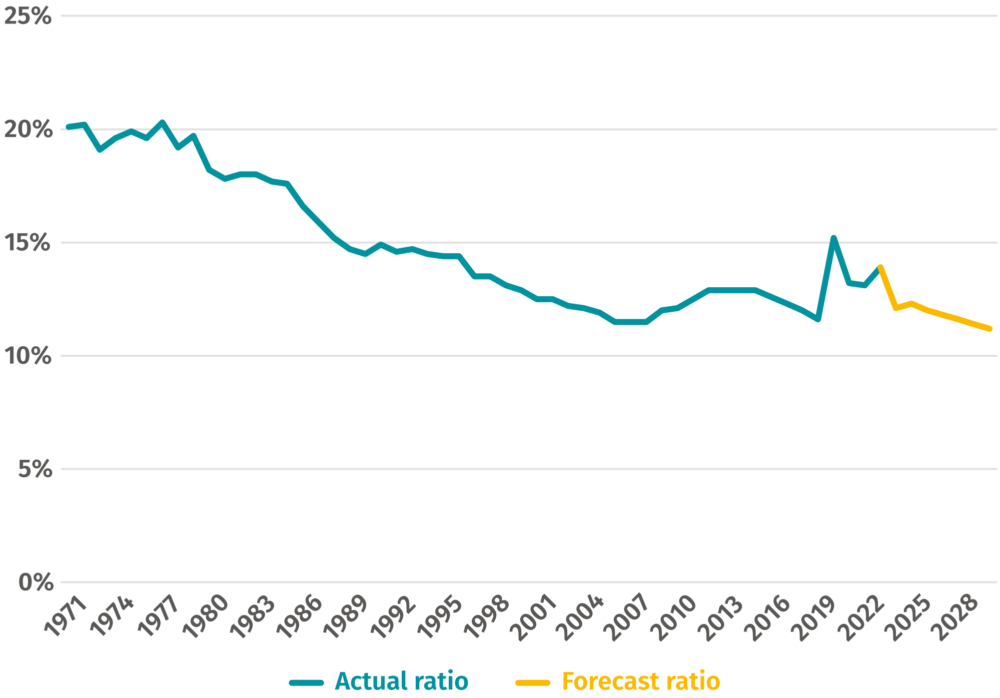
Note: Analysis uses main rate of out of work-benefit over time, through universal credit and predecessor benefits such as jobseeker's allowance.

As figure 2.6 illustrates, social security has not kept up with earnings over time. The aftermath of the financial crisis – where wages declined in real terms while benefits increased by CPI, and the temporary uplift to universal credit during covid are the exceptions to this.

This has led the 'replacement rate', the proportion of average earnings covered by social security, to fall precipitously in the last 50 years (see figure 2.7). In other words, when someone loses their job they face much larger falls in their income than 50 years ago. It also means that those who can't work face a growing gulf between their living standards and those of workers – in other words they have not benefitted from the growth in prosperity in the last 50 years. If we continue to uprate by CPI alone, this situation will continue to worsen as, for the most part, we expect wages to outpace inflation in future (OBR 2023a).

FIGURE 2.7: MEANS TESTED BENEFITS PROVIDE RECORD LOW LEVELS OF SUPPORT RELATIVE TO AVERAGE EARNINGS

Out of work benefit rate as a proportion of average (male) earnings (replacement rate), actual and forecast



Source: IPPR analysis of HoC 2013, ONS 2023b, ONS 2021, BoE 2023 and OBR 2023b
Note: Analysis is restricted to male earnings due to data limitations.

This means that CPI uprating *drives* rising relative poverty because benefits grow more slowly than average incomes, which are driven by wages. A different approach is needed for any government serious about tackling relative poverty.

3. THE POLITICAL DRIVERS OF INADEQUATE SOCIAL SECURITY

Every government has faced trade-offs in balancing a need to manage state spending with strategic priorities. In the past, welfare policy has been grounded in wider strategic government ambitions, from tackling child poverty to breaking down barriers to work. More recently, debates about social security policy have been taking place in the absence of a proactive mission or focus from government and this has led to an inconsistent approach in navigating the interplay of tensions between managing costs and alongside short term priorities.

The lack of explicit consensus and direction on social priorities for welfare policy has contributed to a rise in harmful rhetoric and stereotyping about individuals who need financial support, which doesn't occur in discussions about other resource-intensive public services. Discussions around social security are often fraught with misunderstanding – a disconnect between the system as it is and how it is perceived. A tendency to draw on assumptions about life on a low income, and, at times, harmful stereotypes about people accessing universal credit, too often is defining these debates.

In the years leading up to the welfare reforms, this was reflected through portrayals of individuals on low incomes in television and the media, and more directly in the way that politicians described social security, with a disproportionate emphasis on benefit fraud. Analysis has found that this rhetoric about social security came to shape public attitudes:

> ***"The public felt that welfare recipients were lazy, cheating the system and in need of harsh medicine. This led the British benefits system unusually vulnerable to political attack"***
> (O'Grady 2022)

This shift in public sentiment created the conditions needed to facilitate the social security reforms implemented through the 2010s, which saw significant reductions in support for disabled people, and the introduction of the benefit cap and two child limit.

But evidence suggests that public attitudes have shifted considerably since then. In 2022, polling found that 80 per cent of the public felt that poverty was 'a big or fairly big' problem in the UK (JRF 2023), and even before the pandemic 78 per cent of the public said that the gap between people on low and high incomes was too large (ibid).

As outlined in table 3.1, while concerns about fraud have persisted, despite this representing just 3 per cent of benefit expenditure (DWP 2022), overall attitudes towards people claiming benefits have softened:

TABLE 3.1: SOFTENING ATTITUDES TO PEOPLE CLAIMING SOCIAL SECURITY OVER TIME

Statement	Percentage agree		Change 2010–2021
	2010	2021	
If welfare benefits weren't so generous, people would learn to stand on their own two feet	55	39	-29%
Many people who get social security don't really deserve any help	35	22	-37%
Many people on the dole are fiddling it in one way or another	35	27	-23%

Source: IPPR analysis using NatCen 2022

This is particularly significant given that awareness of universal credit rates is low. Previous research has indicated that when informed of benefit levels, the public are more likely to find them insufficient to live on (NatCen 2014). Looking specifically at universal credit, recent polling by Thinks Insight and Strategy found that when shown the April 2023 standard allowance rate, 66 per cent of the public said it was lower than expected, 67 per cent said they didn't think they would be able to afford the essentials if they were on universal credit, and 69 per cent supported increasing the rate (ibid).

This indicates widespread concerns about levels of adequacy in our current system, as well as broad support for a strong social safety net. It is clear that public debates about social security would be enriched by better reference to the realities of people on low incomes.

4. THE NEED FOR AN EVIDENCE-LED, LONG-TERM APPROACH TO SOCIAL SECURITY

Short term policymaking cycles can prove an obstacle in driving sustained progress over the long term. Turnover at both the ministerial and civil service levels can skew priorities, which may result in politicians prioritising 'quick wins' or feeling under pressure to manage costs without incentives to tackle more complex, long term problems (Institute for Government 2016).

Too often, debates on welfare policy are confined to responsive decisions, or cyclical questions on whether to uprate means tested benefits in line with inflation, without engaging in a wider discussion about whether rates were sufficient to start with. A government ambitious to drive meaningful progress in tackling poverty should look for ways to break out of this cycle and embed a focus on the long term.

In addition, given perceptions about public attitudes can stifle public debates, and with limited direct exposure to the system among politicians and civil servants, there is a need for robust evidence to facilitate better informed decision making. To break out of this, we need to build cross party consensus about the role of social security.

An established evidence base demonstrates that the extent to which the needs and perspectives of individuals on low incomes are taken into account in government decision-making is disproportionately low (Elsasser et al 2020). This limited 'policy responsiveness' can mean less priority is given to policy change that could drive meaningful improvements for people in these circumstances.

Without a shared long-term ambition with buy-in across the political spectrum, there is a real risk that progress made by one administration is haemorrhaged away in the next.

POLITICIANS SHOULD COME TOGETHER TO AGREE A CROSS-PARTY AMBITION FOR SOCIAL SECURITY

As a society, we need to move towards a purpose-driven approach to social security. This should involve an open debate about the future role of social security in tackling poverty, with a view to **establishing a shared mission for social security**, supported by all major political parties. This would be transformative in breaking away from short-term debates on specific levels and unlocking a long-term focus on the role of universal credit in tackling poverty.

This should be reinforced by a requirement that the government publishes an annual plan, specifying the steps it will take towards the agreed long-term goal. This approach has proven particularly effective in catalysing progress on air pollution, with the Air Quality Standards Regulations 2010 driving a considered and rigorous approach to reaching agreed targets over time.

We need a 'Turner Commission' for social security

To move beyond cyclical debates about universal credit, there is a need for an impartial evidence-based review to determine the rates needed for an adequate safety net.

A dedicated commission would be particularly valuable for this, bringing together individuals with established expertise from a range of backgrounds to build consensus about the role of means tested social security, and set a forwards trajectory for the future. This could serve to secure a consensus about the need for a sufficient social security rate, and provide an opportunity to shape a shared view of the role of social security in relation to real living costs.

This should entail a bottom-up costing of core needs - an in-depth exercise to determine the level of income needed to maintain an adequate standard of living and participate fully in society. The former should include consideration of housing, utilities and food costs, while the latter may take account of factors such as an internet connection and digital devices which are now a prerequisite for accessing employment support, participating in school and accessing a range of public services. This should be informed by consultation visits, and research interviews with individuals living on a low income to test assumptions, alongside engagement with expert stakeholders.

Previous commissions have demonstrated that the profile, expertise and relationships of commissioners can be pivotal to their success. Given the pressing need for a new, cross-party vision for social security, consideration should be given to the role of the commission's chair in particular. An individual with an established profile who is not already associated with live social security debates or previous reforms would be key to building trust and confidence among a range of stakeholders, working alongside individuals with established expertise.

CASE STUDY 1: THE TURNER COMMISSION

In 2002, Adair Turner was appointed to conduct a review into pensions reforms. This was a complex, large scale policy issue, which included questions about improving take-up of workplace pensions alongside addressing affordability of the state pension.

It has proven a real success. Implementation of one of the commission's recommendations, namely auto-enrolment, led to a tenfold increase in membership of pensions schemes (HoC 2019) with the impacts seen across the UK, and across different industries (DWP 2022).

The commission took a two-stage approach, initially releasing a comprehensive report on the nature of the problems related to reform. This contrasted with established evidence, and exposed the scale of problems related to saving for later life. This first report did not include any recommendations, but was felt to have been an effective first step in building a shared understanding of challenges before any solutions were proposed (Institute for Government 2010).

When proposals were developed, they were influenced by extensive engagement with employers. Implementation was phased, with an initial exemption for small employers to mitigate the impact of reforms for that group.

The membership of the commission is considered to have been key to its success (Massala and Pearce, 2022). Turner was an economist with a corporate background (at the Confederation of British Industry and McKinsey). The two other commissioners were Jeannie Drake (president of the Trades Union Congress and Labour peer) and John Hills (a professor at London School of Economics) – with each nominated by a different member of government. Their profile, expertise and tenacious approach were all central to the credibility of the commission and the progress it made. Being a small group, the three commissioners were able to build strong working relationships, meeting regularly to test evolving ideas and work towards a consensus.

5. THE ROLE OF A NEW INDEPENDENT BODY FOR SOCIAL SECURITY

Beyond the work of the commission, there is an ongoing role for independent, evidence-led policy advice to government and public accountability on social security. A new independent body for social security should be developed to take forward the work outlined by the commission. This would build on the success of previous independent bodies such as the Low Pay Commission, the Climate Change Committee and public sector pay review bodies.

This would serve to do the following.

1. Review progress and hold government to account on agreed commitments.
2. Provide transparency and clarity to policy debates about social security.
3. Monitor any impacts of changes in rates on labour market participation and social security caseloads, and generate a new UK evidence base in this area.
4. Advise on changes in trajectory in accordance with the above, considering planned changes in rates or any changes in living costs and adjusting where appropriate.
5. Advise on potential responsive interventions in the event of sharp increases in living costs.

Given the likely disparity between universal credit rates and the adequacy rate established through the commission, it is possible that increases to universal credit to reach the proposed level will need to be phased over time. In its initial stages, this body would advise the government on the most effective way to do this, setting out a proposed trajectory for increases to universal credit. This would provide safeguards to ensure that increases in social security rates to reach an adequate level of support are phased in gradually over time.

Over the longer term, the body could advise government on options for maintaining the established adequacy in real terms, or pursuing additional policy ambitions, such as driving improvements in the replacement rate.

The body would also play a pivotal role in monitoring progress towards the cross-government commitment for social security. This could include monitoring the extent to which universal credit is protecting households from poverty, and providing advice on the potential impact of policy changes to universal credit – such as eligibility or the taper rate - on this overarching goal.

It would carefully monitor any potential impacts of increases in universal credit rates. While some may anticipate that raising rates reduces work incentives, research has shown that in other countries low-income replacement rates are negatively associated with labour market participation (OECDstat 2023). An independent body would address this, ensuring that future decisions about social security uprating are informed by a new and growing UK evidence base, in a similar way to the Low Pay Commission.

In addition, if any changes were to occur to significantly reduce or alter the core costs measured to determine the adequacy rate, the independent body could advise on commensurate changes in rates. For example, subsidies on public transport or utilities could be reflected through revised social security rates.

In the event of an economic shock equivalent to the recent pandemic and cost of living crisis, this body could work quickly to advise on the best ways to mitigate the impacts for individuals on low incomes. This would allow for a more targeted and timely response than the cost of living payments introduced in 2022, and so deliver a more effective use of welfare spending.

This idea is supported by people living on a low income. We have engaged in conversations with participants in the Changing Realities project to explore their receptiveness to the proposal for an independent body to advise on social security. There was resounding enthusiasm, with participants particularly welcoming an opportunity to de-politicise these decisions and safeguard the entitlement to an adequate income.

The case studies illustrate the valuable role that existing independent bodies have played in embedding a long-term focus and facilitating lasting change in complex, contentious policy areas.

CASE STUDY 2: THE LOW PAY COMMISSION

The national minimum wage (NMW) was introduced amidst speculation it would destroy jobs.

It has since been increased substantially, with the UK now seeing among the highest minimum wages in the world, and a significant reduction in hourly pay inequality. Several stakeholders who had initially opposed the NMW have since come to actively champion it, with the greatest year-on-year increases occurring under a conservative-led government.

This has in part been attributed to the success of the Low Pay Commission (LPC). Established as the NMW was introduced, the LPC is a statutory public body which advises government on the NMW, including specific rates for different age groups and apprentices in the context of a government-set target that NMW reaches two-thirds of median earnings by 2024. Its remit includes the possibility of proposing an 'emergency brake' on work towards this target, adjusting the target itself or the timeframe towards reaching it. These safeguards have helped to maintain trust in the wage setting process among employers and political stakeholders.

The LPC comprises representatives for employers, workers (through trade unions) and government, along with academics. This has been crucial in assuaging concerns about the effects for employers and the wider economy, which has allowed subsequent governments to set more ambitious goals for increasing minimum wage.

Its research-led approach has contributed to the establishment of a rigorous new evidence base about the interaction between minimum wages and labour demand, and this has been valuable in cementing support for minimum wages among policymakers and politicians.

CASE STUDY 3: THE CLIMATE CHANGE COMMITTEE

The Climate Change Committee (CCC) was established in 2008 as an independent body to advise Government on emissions reduction and climate resilience. As a policy area which requires both short term actions and a long term, strategic focus, work to reduce carbon emissions and navigate the impacts of the climate crisis has greatly benefitted from the expertise and advice of this dedicated impartial body.

It does not hold a statutory footing, and some of its recommendations have not been adopted by government. However, the CCC been found to drive significant impact through three core areas:

- **Objectives:** the CCC shaped the ambition to reach net zero carbon emissions by 2050 along with a series of carbon budgets, both of which are embedded in legislation.
- **Substance:** Beyond directly shaping carbon budgets, it has influenced new legislation on water management, housing, civil aviation and the electricity market.
- **Process:** the committee's evidence and recommendations are shaping evidence led debates about the climate crisis, with their report being cited by all major political parties.

The cost of living crisis has seen the government has come under pressure to decelerate plans in this area such as investing in renewable energy or implementing low traffic neighbourhoods. Against this backdrop, the role of the committee in holding government to account on established commitments has been key.

While other organisations provide insights to government on welfare policy, such as the Social Security Advisory Committee (SSAC) and Office for Budget Responsibility (OBR), neither would be positioned to take on the responsibilities outlined here in their current form. The SSAC has been developed to scrutinise government policy, reviewing implementation, rather than proposing potential policy routes.

6. CONCLUSION

Our social security system is failing to meet people's needs and there is both an economic and political case for strengthening it. An independent commission, drawing from across society, should have a clear remit to recommend appropriate social security levels which the government could work towards over time. Beyond that, a permanent independent body could bring transparency and clarity to policy debates around social security often clouded by pre-conceptions, and hold government to account in pursuit of its aims.

REFERENCES

Bank of England [BoE] (2023) *Monetary Policy Report – August 2023*. https://www.bankofengland.co.uk/monetary-policy-report/2023/august-2023

Department for Work and Pensions [DWP] (2023a) 'Households on Universal Credit', dataset, accessible via DWP Statxplore

Department for Work and Pensions [DWP] (2023b) *Benefit and pension rates 2023 to 2024*, policy paper (and predecessor documents). https://www.gov.uk/government/publications/benefit-and-pension-rates-2023-to-2024/benefit-and-pension-rates-2023-to-2024

Department for Work and Pensions [DWP] (2020c) 'Households Below Average Income', dataset, accessible via UK Stat Xplore

Department for Work and Pensions [DWP] (2022) *Fraud and error in the benefit system Financial Year Ending (FYE) 2022*. https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2021-to-2022-estimates/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2022

Department for Work and Pensions [DWP] (2022b) 'Ten Years of Automatic Enrolment in Workplace Pensions: statistics and analysis', dataset. https://www.gov.uk/government/statistics/ten-years-of-automatic-enrolment-in-workplace-pensions/ten-years-of-automatic-enrolment-in-workplace-pensions-statistics-and-analysis

Elsasser L, Hence S and Schäfer A (2020) 'Not just money: unequal responsiveness in egalitarian democracies', *Journal of European Public Policy*, Volume 28, 2021 - Issue 12. https://www.tandfonline.com/doi/abs/10.1080/13501763.2020.1801804

Farquharson C, McNally S and Tahir I (2022) *Education inequalities*, Institute for Fiscal Studies. https://ifs.org.uk/inequality/education-inequalities/

Fogden R, Buck D, Franklin B and Lewis T (2022) 'Poverty and the health care system', long read, King's Fund and Centre for Progressive Policy. https://www.kingsfund.org.uk/publications/poverty-health-care-system-data-partnership

Hirsch D (2023) *The cost of child poverty in 2023*, Child Poverty Action Group. https://cpag.org.uk/sites/default/files/files/policypost/Cost_of_child_poverty_2023.pdf

House of Commons [HoC] (2023) '17 May 2023 – Benefit Levels in the UK – Oral evidence', transcript of evidence given to the Work and Pensions Select Committee. https://committees.parliament.uk/event/18216/formal-meeting-oral-evidence-session/

House of Commons [HoC] (2022) *Automatic enrolment – current issues*, research briefing. https://commonslibrary.parliament.uk/research-briefings/sn06417/

House of Commons [HoC] (2013) *Historical rates of social security benefits*, briefing paper. https://researchbriefings.files.parliament.uk/documents/SN06762/SN06762.pdf

Joseph Rowntree Foundation [JRF] and Trussell Trust (2023) *An Essentials Guarantee: Reforming Universal Credit to ensure we can all afford the essentials in hard times*. https://www.jrf.org.uk/report/guarantee-our-essentials")

Joseph Rowntree Foundation [JRF] (2023b) '5.7 million households having to cut down or skip meals, as JRF's cost of living tracker shows "Horrendous new normal"', press release. https://www.jrf.org.uk/press/57-million-low-income-households-having-cut-down-or-skip-meals-jrf%E2%80%99s-cost-living-tracker-shows

Massala T and Pearce N (2022) 'Statecraft and incremental change: Explaining the success of pension reforms in the United Kingdom', *The British Journal of Politics and International Relations*. https://journals.sagepub.com/doi/full/10.1177/13691481211044655

NatCen Social Research [NatCen] (2014) *Public attitudes to the benefit system: are they changing?*. https://bsa.natcen.ac.uk/latest-report/british-social-attitudes-31/benefits/public-attitudes-to-the-benefits-system-are-they-changing.aspx

Natcen Social Research [NatCen] (2022) *Taxation, welfare and inequality*. https://bsa.natcen.ac.uk/media/39481/bsa39_taxation-welfare-and-inequality.pdf

Nuffield Foundation (2023) 'Children exposed to poverty and trauma are more likely to offend as adults', news article. https://www.nuffieldfoundation.org/news/children-exposed-to-poverty-and-trauma-more-likely-to-offend-as-adults

O'Grady T (2022) *The Transformation of British Welfare Policy*, Oxford University Press

OECDstat (2023) 'Net replacement rate in unemployment', dataset. https://stats.oecd.org/Index.aspx?DataSetCode=NRR

Office for Budget Responsibility [OBR] (2023a) *Economic and Fiscal Outlook March 2023*, report. https://obr.uk/efo/economic-and-fiscal-outlook-march-2023/

Office for Budget Responsibility [OBR] (2023b) 'Long-term economic determinants', dataset. https://obr.uk/supplementary-forecast-information-release-long-term-economic-determinants-march-2023/

Office for National Statistics [ONS] (2021) 'Earnings timeseries of median gross weekly earnings from 1968 to 2021', dataset. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/13876earningstimeseriesofmediangrossweeklyearningsfrom1968to2021

Office for National Statistics [ONS] (2022) 'Consumer price inflation, historical data, UK 1950 to 1988', dataset. https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflationhistoricaldatauk1950to1988

Office for National Statistics [ONS] (2023) 'CPI INDEX 00: ALL ITEMS 2015 = 100', dataset. https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23

Office for National Statistics [ONS] (2023b) 'EARN01: Average Weekly Earnings', dataset. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearningsearn01

Office for National Statistics [ONS] (2023c) 'Provisional CPI-H and CPI-consistent inflation rate estimates for UK household groups, January to March 2023', dataset. https://www.ons.gov.uk/economy/inflationandpriceindices/adhocs/1146provisionalcpihandcpiconsistentinflationrateestimatesforukhouseholdgroupsjanuarytomarch2023

Porter I and Johnson-Hunter M (2023) *Inadequate Universal Credit and barriers to work*, Joseph Rowntree Foundation. https://www.jrf.org.uk/report/inadequate-universal-credit-and-barriers-work

Shelter (2022) *Cover the cost – preventing homelessness for renters in the cost of living crisis*. https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/report_cover_the_cost_-_preventing_homelessness_for_renters_in_the_cost_of_living_crisis

Trussell Trust (2022) *Debt and deductions fact sheet – December 2022*. https://www.trusselltrust.org/wp-content/uploads/sites/2/2022/12/Debt-and-Deductions-Fact-Sheet-December-2022-web.pdf

Trussell Trust (2023) 'End of year stats', webpage. https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/

Upton M (2023) 'When advice is not enough – the rise of negative budgets', blog, Citizens Advice. https://wearecitizensadvice.org.uk/when-advice-is-not-enough-the-rise-of-negative-budgets-c2f2e94a808c

UK Parliament (2023) 'Universal Credit: Deductions. Question for Department for Work and Pensions', parliamentary question UIN 191819. https://questions-statements.parliament.uk/written-questions/detail/2023-06-29/191819

Institute for Public Policy Research

GET IN TOUCH

For more information about the Institute for Public Policy Research, please go to www.ippr.org

You can also call us on +44 (0)20 7470 6100, e-mail info@ippr.org or tweet us @ippr

Institute for Public Policy Research

Registered Charity no. 800065 (England & Wales), SC046557 (Scotland), Company no, 2292601 (England & Wales)

The progressive policy think tank