

Disability Benefits Consortium (DBC) Briefing on Uprating Benefits in line with CPI Inflation

Background

The disability benefit system is deeply complicated and provides support for a range of people both in work and for those for whom work is not an option due to their disability. However, we know that the benefits system does not provide adequate support for those who rely upon society's safety net.

We found that the impact of 10 years of benefit changes (2009-2019) had left disabled people on average £1,200 per year worse off.¹ Added to this is the impact of the COVID-19 pandemic on disabled people, especially the failure to extend the £20p a week Universal Credit increase to legacy benefits. Our survey results below from summer 2021 outline the difficult financial situation that many disabled people found themselves in even before the start of the cost of living crisis. This February, one in four disabled people were struggling to pay for food or heating, and 600,000 had £10 or less each week to pay for food and other essentials.² Leonard Cheshire in a survey from February 2022 found 1 in 4 disabled people have skipped meals & couldn't afford to keep their homes warm. And 600k disabled people have £10 or less left a week to pay for food & essentials³.

Income replacement benefits

The government has to date provided some support to disabled benefit claimants through one-off payments which vary depending on which benefit you claim, as well as the wider Energy Price Guarantee. While welcome, for many, these payments will do little to offset the huge increases they are seeing in the costs of living, from energy bills to food and transport.

An uprate to all benefits of less than CPI inflation would mean a real terms cut to the incomes of millions of disabled people who rely on benefits.

Many people who claim Universal Credit are entitled to an additional 'health element' due to being placed in the limited capability for work and work-related activity (LCWRA) group. This is in recognition of the fact that this group are too unwell for work and are not expected to carry out any work-related activities.

Current reporting suggests that the people in this group may receive uprating in line with earnings (currently at 5.4%) rather than CPI inflation (currently at 9.9%). Uprating by earnings would leave this group **£360 per year worse off**.

2 million people also claim so-called 'legacy benefits' such as Employment and Support Allowance (ESA), Income Support (IS) and Jobseekers' Allowance (JSA),

¹ <https://disabilitybenefitsconsortium.files.wordpress.com/2019/10/disability-benefits-consortium-cumulative-impact-report.pdf>

² <https://www.leonardcheshire.org/about-us/our-news/press-releases/rising-costs-are-catastrophe-disabled-people>

³ <https://www.leonardcheshire.org/about-us/our-news/press-releases/rising-costs-are-catastrophe-disabled-people>

the majority of whom are disabled people on ESA. This group were denied the £20 a week increase provided to people claiming Universal Credit during the first 18 months of the pandemic, losing out on £1,560 worth of financial support.

Ensuring that all spending on these benefits is fully uprated in line with September's CPI (predicted to be 9.9%), rather than earnings predicted to be (5.4%), would cost **£929 million**, and ensure the over **2 million people** claiming these benefits don't see real terms cut in their value.

Extra costs benefits

Benefits such as Attendance Allowance (AA), Disability Living Allowance (DLA) and Personal Independence Payment (PIP) are meant to help with the extra costs associated with a disability or long-term health condition. Like income-replacement benefits, they were only uprated by 3.1% in April, and so have failed to keep up with the rising costs disabled people are facing.

May's Cost of Living Support Package promised a £150 payment to help make up this shortfall but still left the average claimant £250 worse off based on current inflation levels of 9.9%. Moreover, changes to the eligibility criteria for the Warm Homes Discount scheme mean that 290,000 disabled people can no longer access this support.

Ensuring that all spending on these benefits is fully uprated in line with September's CPI (predicted to be 9.9%), rather than earnings predicted to be (5.4%), would cost **£1.27 billion**, and ensure the **5.8 million people** claiming these benefits don't see real terms cut in their value. A full estimate of costings can be found at the end of this briefing.

In-work benefits

A curious aspect of the possible restriction of these benefits to earnings inflation is that many of them – including Universal Credit, Tax Credits, Housing Benefit and children's benefits – are in-work benefits. A real terms cut to their benefits will therefore hit the very low-paid workers at a time when support is needed more than ever. Many people on these benefits are balancing childcare, caring responsibilities or a limited ability to work which makes taking on new work or increasing hours incredibly difficult, if not impossible.

Beyond the uprating

In order to make sure the levels of payments of disability benefits better reflect the actual cost of living with a disability or long-term health condition, regular, independent surveys should be established to understand the actual costs people face. Such surveys and assessments of benefit adequacy must include 'extra costs' benefits such as AA, PIP and DLA. This process should begin with a review of the adequacy of benefits, as the Work and Pensions Select Committee has recommended this year.

In addition, action must be urgently taken to reverse the damaging impact of recent policies that have contributed to cutting the amount many people receive too often seriously low levels:

- The benefit cap and two-child limit must both be ended,

- End the sanctions and conditionality regime which pushes disabled people further from employment
- The Work-Related Activity component of ESA (and Universal Credit equivalent) must be re-introduced,
- Universal Credit must have a disability element added,
- To restore the losses sustained during the four-year benefit rate freeze, benefits must be uprated by the Consumer Prices Index + 2% for four years, and the “Local Housing Allowance” should be permanently restored to at least the 30th percentile of local private sector rents.

Without these changes, disability benefits will continue to fail to meet people’s actual cost of living. The report ‘Time to think again’ published by Social Market Foundation and Scope in February 2021⁴ found that disabled people face a significantly higher cost of living, estimating that it can be up to £583 per month with 1 in 5 disabled people also facing extra costs of more than £1,000 per month. The report also found that 42% of people living in families relying on disability benefits are in poverty and 1.8 million more people in poverty live in a family that includes a disabled person than was the case 15 years ago.

For those who are forced to rely on disability benefits reduced amount for many years, or their whole lives, the result is clear: living precariously, never having enough to cover all your costs, and not having any financial cushion to help you cope with sudden shocks or changes.

Table 1. Expenditure on benefits*

Expenditure in £ millions	2022/23	2023/24 uprated by 9.9% CPI	2023/24 uprated by 5.4% earnings growth	Difference
Income replacement				
Employment and Support Allowance	12,832	14102	13525	577
Universal Credit (Standard Allowance and Health element)**	6,863	7542	7234	309
Jobseekers' Allowance	285	313	300	13
Income Support	657	722	692	30
Total	20,637	22680	21751	929
Extra costs				
Personal Independence Payment	16,992	18674	17910	765
Disability Living Allowance	5,667	6228	5973	255
Attendance Allowance	5,555	6105	5855	250

⁴ [Time to think again: disability benefits and support after COVID-19 - Social Market Foundation. \(smf.co.uk\)](https://www.smf.co.uk/time-to-think-again-disability-benefits-and-support-after-covid-19)

Total	28,214	31007	29738	1270
Overall total				
	48,851	53687	51489	2198

*2022/23 expenditure for all benefits bar 'Universal Credit (Standard Allowance and Health element)' is taken from 2022/23 estimates from Table 1a: Expenditure by benefit, £ million, nominal terms in the Department for Work and Pensions' Outturn and Forecast tables: Spring Statement 2022:

**Expenditure for Universal Credit (Standard Allowance and Health element) is taken from Table 2: Working age health and disability expenditure as a percentage of GDP in the Department for Work and Pensions' Tables: Chapter 5: Exploring Ways to Improve the Design of the Benefit System