



Budget 2018

Universal Credit

- From April 2019 Universal Credit (UC) claimants will benefit from a £1,000 increase in work allowances. Working parents and people with disabilities on UC will be £630 better off every year as a result of this change.
 - Building on policy changes announced by the government in June, claimants will also benefit from additional support as they move onto UC.
 - In response to lessons from the roll-out of UC to date, and to facilitate the delivery of this package, managed migration will now conclude in December 2023.
1. Welfare spending rose by over 60% in real terms between 1997 and 2010 – £84 billion in today's prices – with some individuals with very high earnings still eligible for Tax Credits. Some elements of the old system also disincentivised work, with some of the poorest households in society facing an effective tax rate of 90% - twice that of the highest earners. Changes to the welfare system since 2010 have brought welfare spending back under control
 2. The old welfare system is being replaced with Universal Credit – a simpler system in which it pays to work, where the most vulnerable in society are protected, and which is fair to the taxpayer.
 3. However, the government has been clear that it will listen and respond as it rolls out UC. Autumn Statement 2016 announced an effective tax cut for the lowest earners worth £700 million in 2020/21 by reducing the UC taper rate from 65% to 63%, and Autumn Budget 2017 delivered a £1.5 billion package to provide more upfront support when claimants apply for UC
 4. In order to support working and low income households, and to support claimants as they transition to UC, the Budget announces a further set of measures worth £1.7 billion per year.

Detail of changes announced at Budget

5. From April 2019 work allowances in UC will increase by £1,000, benefitting 2.4 million people. This means that working parents and people with disabilities on UC will be £630 better off every year, and will allow households to keep more of what they earn by reducing the amount of their earnings that is subject to the UC taper rate.
6. As individuals move onto UC from the old welfare system, they will receive additional support:
 - From July 2020 claimants will continue to receive the income-related elements of Jobseekers' Allowance and Employment and Support Allowance, and Income Support for the first fortnight of a Universal Credit claim, where otherwise they would have stopped. This targets support at around 1.1 million claimants out of work or on low incomes
 - All gainfully self-employed claimants will get a 12-month grace period where they are exempt from the Minimum Income Floor, so they have more time to grow their business to a sustainable level

- Claimants can repay overpayments and debt more slowly from October 2019 (from 40% of the standard allowance to 30%), and from October 2021 people will have longer to repay advances. This will support claimants as they repay debts in a sustainable and manageable way.
- 7. The Budget also confirms measures announced in April and June 2018 that enhance transitional protection for people moving onto UC, including additional protections for people who receive the Severe Disability Premium to ensure their welfare payments are protected when they move to UC.
- 8. In response to feedback on Universal Credit, the implementation schedule has been updated and managed migration will now conclude in December 2023.

Key facts

- 9. As a result of this and previous action, additional government spending on UC since 2016 will total £2.5 billion in 2023/24.
- 10. Spending on disability benefits is envisaged to be higher in every year to 2022 than in 2010.
- 11. Britain is spending more on disability and incapacity benefits as a share of GDP than all other G7 countries except Germany.