The Annual Abstract of Statistics for Benefits, and Indices of Prices and Earnings

Department for Work & Pensions

Annual | **Covering April 2018 uprating** | **Published: 26 March 2019** | **National Statistics**

At a glance

The Abstract of Statistics is an annual publication produced by the Department for Work and Pensions. The purpose of the publication and supporting data tables is to provide a reference source for people interested in benefit uprating and the value of benefits compared to prices and earnings.

The publication contains two sections: Uprating of Benefits and Rates of Benefit, which aim to provide data to answer the following types of questions:

- How do the values of state benefits compare to prices?
- Are state benefits today, worth more or less in terms of Average Earnings than in previous years?
- How does the income of an unemployed person compare with Average Earnings?
- How do the rates of benefits compare with one another?

These statistics were released on 26th March 2019 according to the arrangements approved by the UK Statistics Authority.

This means that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

Accompanying tables containing a comparison across time of benefit rates adjusted to April 2018 prices can be accessed via the Abstract of Statistics collection page. Two price indices are used in the tables: the Retail Prices Index (RPI) and the Consumer Prices Index (CPI).

Please visit the policies and statements page for more background information, including the methodology document.

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Comments? Feedback is welcome

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Section 1: Uprating of Benefits

This section shows the factors used to uprate benefits from 1974 until 2018, and describes how the policy has changed. Benefits have been uprated by a variety of methods during this period including forecasts, indices of prices and earnings, one-off payments, targeting of particular components of a benefit and revisions to the eligibility rules governing the benefit. This chapter deals with upratings via use of prices and earnings indices.

Indices of Prices and Earnings

Over time, there have been various changes to the components of the indices that have been used to uprate benefits. The major changes have been:

- In 1974, long-term benefits such as pensions and long-term sick and disabled benefits were linked to the higher of one of two annual increases, as measured by the Retail Prices Index (RPI) and the Average Earnings Index.

- In 1976 a forecast was used to estimate the movements in prices and earnings.

- Long-term benefits were linked in 1979 to the prices index only.

- A historical basis was used to calculate the price increases in 1983.

- ROSSI was introduced in 1983, calculated as RPI (All Items) less housing costs, to uprate income-related benefits.

- In 1992 the definition of ROSSI changed to New ROSSI. New ROSSI is calculated as RPI (All Items) less rent, local taxes and mortgage interest payments.

- Since 1983, benefits have been uprated in relation to the RPI, ROSSI or New ROSSI. The actual increase in particular benefits depends on the index applied and on policy decisions as to the appropriate rate for the benefit.

- In the budget, on 22 June 2010, the Chancellor announced that from April 2011 most DWP administered benefits would be uprated in line with the Consumer Prices Index (CPI). Also, the Government introduced legislation providing for earnings uprating of the Basic State Pension, and in addition, provided a 'triple lock' guarantee that the Basic State Pension will increase by the highest of the growth in average earnings, price increases or 2.5%.

- In 2012, the Pension Credit standard minimum guarantee was required to be increased at least in line with earnings; the relevant earnings benchmark rose by 2.8%. However, the Government decided to raise the standard minimum guarantee by 3.9% instead, to ensure that the poorest pensioners benefit from the full cash value of the increase in the Basic State Pension, paying for this with an increase in the savings credit threshold.

- In April 2013, benefits to meet the additional costs of disability, and some pensioner benefits, increased in line with CPI inflation (2.2%). The triple lock guarantee meant that the Basic State Pension was increased by 2.5%, since this was greater than both earnings and price inflation. The main elements of most discretionary benefits and tax credits for working age people were increased by 1%. The Pension Credit standard minimum guarantee was required to be increased at least in line with earnings; the relevant earnings benchmark rose by 1.6%. However, the Government decided to raise the standard minimum guarantee by 1.9% instead, to ensure that the poorest pensioners benefit from the full cash value of the increase in the Basic State Pension, paying for this with an increase in the savings credit threshold.

- Again, in April 2014, benefits to meet the additional costs of disability, and some pensioner benefits, increased in line with CPI inflation (2.7%). The triple lock guarantee meant that the Basic State Pension was increased by 2.7%, since this was greater than both earnings and the minimum increase. Most discretionary benefits and tax credits for working age people continued to be increased by 1%. The Pension Credit standard minimum guarantee was required to be increased at least in line with earnings; the relevant earnings benchmark rose by 1.2%. However, as in April 2013, the Government decided to raise the standard minimum guarantee by 2.0%.

- In April 2015, benefits to meet the additional costs of disability, and some pensioner benefits, increased in line with CPI inflation (1.2%). The triple lock guarantee meant that the Basic State Pension was increased by 2.5%, since this was greater than both earnings and price inflation. Most discretionary benefits and tax credits for working age people continued to be increased by 1%. The Pension Credit standard minimum guarantee was required to be increased at least in line with earnings; the relevant earnings benchmark rose by 0.6%. However, as in April 2013, the Government decided to raise the standard minimum guarantee by 1.9%.

- The Welfare Reform and Work Act 2016 has frozen the majority of working-age benefits for four years. This means that until 2019/20, these benefits will remain at their 2015/16 levels. In April 2016, benefits to meet the additional costs of disability, and some pensioner benefits, were indexed to CPI inflation (-0.1%), meaning that these remained at their 2015/16 levels. The triple lock guarantee meant that the Basic State Pension was increased in line with earnings (2.9%). The Pension Credit standard minimum guarantee was required to be increased at least in line with earnings (2.9%). 2016/17 is the first time in five years that the standard minimum guarantee in Pension Credit has not been increased in line with the cash rise in the full Basic State Pension.

- In accordance with the Welfare Reform and Work Act 2016, the majority of working-age benefits continue to be frozen until 2019/20. As such, these benefits will remain at their 2015/16 levels. In April 2017, benefits to meet the additional costs of disability, and for carers, were uprated in line with price inflation. As such, for the 2017/18 uprating process, price-indexed benefits were increased in line with CPI inflation (1.0%). The triple lock guarantee meant that the Basic State Pension was increased by 2.5% as it was higher than both prices (1.0%) and earnings (2.4%). The Pension Credit standard minimum guarantee was increased in line with growth in earnings which stood at 2.4% for the 2017/2018 uprating process.

- In April 2018, benefits to meet the additional costs of disability, and for carers, were uprated in line with price inflation. As such, for the 2018/19 uprating process, price-indexed benefits were increased in line with CPI inflation (3.0%). The triple lock guarantee meant that the Basic State Pension and the new State Pension (see below) were also increased in line with CPI inflation (3.0%) as this was more than both 2.5% and earnings (2.3%). The Pension Credit standard minimum guarantee was increased in line with growth in earnings which stood at 2.3% for the 2018/2019 uprating process.

- The new State Pension was introduced on 6 April 2016 for people reaching State Pension age from that date. People who had already reached State Pension age continued to be entitled to the Basic State Pension and additional State Pension, where applicable. There are transitional arrangements in place to ensure that the amount of state pension an individual who qualifies receives is not less than they would have received under the previous system, based on their National Insurance record to 5 April 2016. The new State Pension (excluding Protected Payments) is required by statute to rise in line with average growth in earnings, but also, currently has the triple lock guarantee applied.

See Annex E in the methodology statement (found here) for a list of the Benefits and Tax Credits that will be frozen.

See the data tables (table 4.0) for historical values of inflation and earning measures used for uprating.

Section 2: Rates of Benefit

This section gives the value of the principal benefits at each uprating for the past 10 years. More information, back to 1946 or from when the benefit was introduced, is available in the supporting data tables available at the Abstract of Statistics webpage.

The accompanying data tables show:

- the rate of the benefit at each uprating date,
- the percentage increase since the previous uprating,
- the percentage increase in prices between uprating periods,
- the value of the benefit at April 2018 prices at the date of uprating,
- its average value at April 2018 prices over the period between uprating periods,
- its value as a percentage of average earnings at the date of uprating.

For reasons of comparison and maintaining time series before CPI was created, both the CPI and RPI are used to convert the values of each benefit to April 2018 prices in the enclosed tables.

Understanding the Tables

How do the values of state benefits compare to prices?

The data tables published alongside this publication take the key state benefits at each benefit uprating date and show the rate of benefit in payment for key claimant types. As prices generally rise each year, it is difficult to look at these benefit rates and sensibly compare them over time. Hence, these tables use various different measures of price inflation to convert all benefit rates to April 2018 prices. These benefit rates then become comparable across time in terms of the purchasing power of the benefit payment. Two price indices are used: the Retail Prices Index (RPI) and the Consumer Prices Index (CPI).

To understand the difference between RPI and CPI, see here.

The ROSSI Index is defined as the RPI with all items except housing costs. It was used by DWP for the uprating of income-related benefits between November 1983 and 1991. Housing costs were defined as mortgage interest, dwelling insurance and ground rent, local taxes, water charges, repairs and maintenance and DIY materials for repairs and decorations. The items excluded accounted for 7% of the items in the RPI. Since the uprating of April 1992 until April 2010, a revised version of the ROSSI index (New ROSSI) was used to uprate income-related benefits. The index is composed of the RPI (all items), excluding rents, local taxes and mortgage interest payments. The New ROSSI series has been discontinued as of January 2017. For further information, see the Clarification of publication arrangements for the Retail Prices Index and related indices from ONS.

Many benefits have been historically uprated in line with these indices since 1974. Hence, the real value of benefit payments (at April 2018 prices, relative to RPI) has remained fairly stable since then. Benefits such as State Pension and Pension Credit have seen some moderate growth in real value since 1974 due to uprating policies linked to earnings in some years and policies to protect the income of those over State Pension age.

Since April 2011, the CPI has been Government's preferred measure of prices and has been used to uprate benefits (with exceptions for State Pension and Pension Credit). Historically, the price inflation measured by CPI has usually been lower than RPI. As, for much of the period, the benefits were uprated by RPI or ROSSI, the value of benefits has increased relative to CPI.

Are state benefits today worth more or less in terms of Average Earnings than in previous years?

Another way to analyse the value of state benefits across time is to compare the value of benefits to the average full time wage. Average earnings are estimated each year using the Annual Survey of Hours and Earnings. This survey began in 2004, but average earnings statistics have been collected in a broadly comparable form since 1970.

The New Earnings Survey (Great Britain) (NES), which was conducted by the Office for National Statistics (ONS) each April between 1970 and 2004, gave a detailed picture of the pattern of earnings across the whole economy. Between 1970 and March 1983, the survey included full-time workers aged 21 and over whose earnings were unaffected by absence. From April 1983, the survey included full-time workers on adult rates whose earnings were unaffected by absence. Employers were asked to provide information about the earnings of a 1% random sample of employees.

This survey was replaced in October 2004 by the Annual Survey of Hours and Earnings (ASHE). ASHE improved on the NES by extending the coverage of the survey sample, introducing weighting and publishing estimates of quality for all survey outputs.

The accompanying data tables show the rate of benefit as a percentage of average earnings in the same year.

As earnings have historically risen faster than prices, most benefits show a fall in value when compared to average earnings. However, in the most recent years, the economic downturn has led to lower wage inflation. This means that the value of benefits has risen slightly against average earnings.

State Pension and Pension Credit have often been uprated differently; sometimes using earnings as part of the uprating method. These benefits show a relatively flat profile when compared to average earnings. Since April 2011, the triple lock guarantee ensures that the Basic State Pension increases by the highest of the growth in average earnings, price increases or 2.5%. It is important to note that the reference index for uprating by average weekly earnings (AWE) is not the same as the data source for the earnings comparison (ASHE). Therefore, even if earnings was the highest in the triple lock and was used to uprate, it would not necessarily show the same growth as ASHE.

Between 1997 and 2018, overall the value of Pension Credit has risen against earnings.

How do the rates of benefits compare with one another?

The data tables show the rates of the key state benefits at each uprating and the real values (in April 2018 prices, using RPI or CPI). These real values are given at the point of uprating. This represents the real value of that benefit (in April 2018 prices) at the date that rate was first paid.

To give a better representation of the real value of the benefit across the whole period that rate was in force, the tables also show the real value of the benefit between upratings. This calculation uses the average value of the benefit (in April 2018 prices) in each of the months the rate was used.

About this release

DWP intends to discontinue this publication

The information used in this publication is publically available separately from other sources, via the internet. It is published by individual organisations such as Office for National Statistics and DWP. DWP brings this information together to produce the Annual Abstract, and in light of making efficiency savings, DWP statisticians are considering discontinuing future publications. We would like to hear your views on this proposal by completing our questionnaire, or email stats-consultation@dwp.gsi.gov.uk.

The tables accompanying this release can be found on the Abstract of Statistics publication page on Gov.uk. Please note that the data tables do not include supporting commentary; users should refer to this release and the policies and statements documents for background information.

The United Kingdom Statistics Authority has designated these statistics as National Statistics in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:-

- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

Known Issues, Changes and Revisions to the Abstract

As of January 2017, the publication of New Rossi figures has been discontinued. Therefore we have taken comparative data using New Rossi out of this publication.

Due to improvements in the methodology in the 2017 edition, previous editions are no longer directly comparable with the 2017 or the 2018 edition, and are therefore outdated. We removed the previous publications from the Abstract collection page. They will, however, be available on request should they be required.

To reflect changes in benefit provision, we have introduced tables covering the new State Pension and further breakdowns of Universal Credit.

Where to find out more

This document, supporting tables and background information can be found on the collection page: https://www.gov.uk/government/collections/abstract-of-statistics-for-benefits-national-insurance-contributions-and-indices-of-prices-and-earnings

Quality and methodology statements for the Abstract of Statistics can be found here: https://www.gov.uk/government/statistics/dwp-abstract-of-statistics-policies-and-statements.

For more information on the differences between CPI and RPI please read the following information notes at: https://www.ons.gov.uk/economy/inflationandpriceindices.

A statement was released by the Economic Secretary to the Treasury in January 2013, following the announcement by the National Statistician on the Retail Prices Index. The text of this speech can be found at https://www.gov.uk/government/speeches/statement-following-the-national-statisticians-announcement-on-the-retail-prices-index

Details of other National and Official Statistics produced by the Department for Work and Pensions can be accessed via the Statistics at DWP page: https://www.gov.uk/government/organisations/department-for-work-pensions/about/statistics

Contact us

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Feedback is welcome. Please email DWP at stats-consultation@dwp.gsi.gov.uk

A questionnaire regarding our intention to discontinue publication is available at: https://www.gov.uk/government/statistics/dwp-abstract-of-statistics-questionnaire