Spring statement social security changes – Updated impact on poverty levels in Great Britain, July 2025

Summary

This publication updates previous analysis to account for recent Ministerial commitments to make changes to the Universal Credit and PIP Bill, specifically to remove Clause 5 of the Bill relating to Personal Independence Payment. It uses the same methodology and is comparable to the previous analysis.

It provides an estimate of the combined impact on poverty levels for individuals in the financial year ending (FYE) 2030. This estimate does not include any potential positive impact of the bolstered £1billion annual funding, by 2029/2030, or the additional £300m of support in this SR period that is being brought forward. These measures will support those with disabilities and long-term health conditions into employment, which we expect to reduce poverty among people it supports into work.

Excluding the impact of employment support, it is estimated that there will be 50,000 fewer individuals in relative poverty after housing costs in FYE 2030 as a result of the modelled changes to social security, compared to baseline projections. This includes a reduction in poverty for both children and working age individuals. The impact on the number of pensioners in poverty rounds to zero.

Introduction

In March 2025 the UK Government announced several changes to the incapacity and disability benefits system. Further to this the Government announced its intention to only take forward any changes to Personal Independence Payment (PIP) following the conclusion of the Timms review. It also announced that, for existing claimants, the rate of the Limited Capability for Work Related Activity component in UC (LCWRA) will be uprated to ensure that the combined value of the UC standard allowance and LCWRA will rise in line with inflation.

This publication updates previous analysis to account for these changes. **It provides an estimate of the combined impact on poverty levels for individuals in the financial year ending (FYE) 2030** as a result of the following policy changes:

- Rebalancing benefit rates:
    - Increasing the UC standard allowance for single claimants over 25 to £106pw in FYE 2030, with an equivalent increase for other claimants.
    - Uprating LCWRA for existing LCWRA recipients, and the under 25s standard allowance, so that the combined value of the UC standard allowance and LCWRA increases in line with inflation.
    - Reducing the LCWRA rate for new LCWRA claimants who do not meet the severe conditions criteria to £50pw and then freezing until FYE 2030.
- Reversing the previous Government's planned changes to the Work Capability Assessment descriptors.

We have not modelled the impact of funding to increase WCA and PIP assessments or reduce fraud and error as these measures are focused on improving the delivery of existing policy.

Importantly, this estimate does not include any potential positive impact of the bolstered £1billion annual funding, by 2029/2030, or the additional £300m of support in this SR period that is being brought forward. These measures will support those with disabilities long-term health conditions into employment, which we expect to reduce poverty amongst people it supports into work.

Methodology

The Department for Work and Pensions' Policy Simulation Model (PSM) is used to model the impact of policies on individuals and poverty levels. The PSM is a static microsimulation model[1] based on a snapshot of the UK population from the Family Resources Survey (FRS), currently for the financial years ending 2020, 2022 and 2023. It uses caseload forecasts alongside benefit rules to simulate results such as poverty levels for each year, currently up to and including FYE 2030. Because the PSM is a static model it does not capture the behavioural impacts of policies, such as changed work incentives due to reductions or increases in benefit rates, or a small number of additional benefit claims expected as a behavioural response to the reduction in household incomes due to the measures.

Definitions of disability in the PSM differ from those used in the Households Below Average Income (HBAI) poverty statistics. It has therefore not been possible to estimate the impact of the package on the level of poverty amongst individuals living in families with a disabled person, as this requires an estimate to be made using the HBAI definition.

To model the impact of policies, the PSM compares new policies to a baseline scenario, which assumes existing benefit rules, and estimates the impact of the policy change on poverty rates in the year in question. For consistency with previously published analysis the baseline scenario for this modelling is the policy environment pre-Spring Statement 2025, with the analysis using the most up to date model available at the time of the original announcement.

As the poverty impacts presented are independent of the underlying trends in poverty, they are not an estimate of the total change in poverty over time.

Where possible we have accounted for the overlap between policies – specifically the fact that cases gaining from the removal of the WCA descriptor changes will move onto the new lower rate of LCWRA. However, as we have not been able to in all cases account for exactly which individuals in the model will be impacted by the policy (for example the PSM does not distinguish between new and existing cases), we have undertaken analysis to identify a central estimate of impact.[2] In this analysis we have also refined our modelling to account for the continued payment of the higher rate of LCWRA to new claimants who meet the severe conditions criteria and

[1] A static microsimulation model is a modelling approach which uses micro-level observations, in this case from survey data, to simulate other states of the world including future states.

[2] Due to data limitations all gainers from the WCA descriptor changes are assumed to be recipients of UC. We have also not fully accounted for differences in flow between the pre and post 2017 LCW caseload. In both these cases any impact on results is expected to be minimal.

changes to the Under 25s standard allowance to ensure existing LCWRA claimants do not lose in real terms from the reforms.

This analysis uses equivalised incomes both before (BHC) and after housing costs (AHC). Equivalised incomes are calculated at the household level. This means that individuals not directly affected by the policy can lose or gain as a result of being in the same household as someone who is impacted. This analysis is not therefore comparable to analysis of direct losers.

Differences in the BHC and AHC poverty impacts are seen because poverty impacts are affected by where individuals sit on the income distribution. For example, individuals in receipt of housing support will be in a different place in the distribution BHC than AHC, as their housing support is treated as income before housing costs purposes, but is offset against housing costs after housing costs are taken into account.

Estimates are rounded to the nearest 50,000 individuals and the nearest 0.1 percentage point due to uncertainties inherent in the modelling approach. Analysis is at a GB level, although to ensure consistency with HBAI methodology the relative poverty line has been calculated at a UK level. This analysis does not include poverty impacts for Northern Ireland, although given the relative size of Northern Ireland's population we would not expect their inclusion to substantively affect any estimates. Moving forwards DWP will work with colleagues in the Northern Ireland executive to develop their own modelling of poverty impacts.

Poverty analysis is presented for four measures of poverty both relative and absolute low income, both before and after housing costs. Further information on the methodology behind these measures can be found here How low income is measured in households below average income statistics - GOV.UK (www.gov.uk) and here Household below average income series: quality and methodology information report FYE 2021 - GOV.UK (www.gov.uk).

Poverty impacts of the policy change

It is estimated that there will be 50,000 fewer individuals in relative poverty after housing costs in FYE 2030 as a result of the modelled changes to social security, compared to baseline projections. This includes 50,000 children and 50,000 working age individuals. Figures do not sum due to rounding. The impact on the number of pensioners in poverty rounds to zero.

As stated above this modelling does not include any assessment or assumption of the employment impacts of the package as a whole. The impact on the numbers in other measures of poverty are in the table below. See Table 1.

Table 1: Impact of changes to Universal Credit and the reversal of WCA descriptor changes on projected numbers and proportions of people in poverty in GB in FYE 2030

Change in poverty levels compared to baseline		**Relative poverty AHC**	**Absolute poverty AHC**	**Relative poverty BHC**	**Absolute poverty BHC**
Children	Number	-50,000	-	-50,000	-50,000
	Percentage point	-0.3	-0.1	-0.3	-0.3
Working age adults	Number	-50,000	-100,000	-100,000	-100,000
	Percentage point	-0.1	-0.2	-0.2	-0.2
Pensioners	Number	-	-	-	-
	Percentage point	+0.1	-	-	-
All individuals	Number	-50,000	-100,000	-150,000	-100,000
	Percentage point	-0.1	-0.2	-0.2	-0.2

Note: Figures may not sum due to rounding.

Statement of compliance with the Code of Practice for Statistics

The Code of Practice for Statistics (the Code) is built around 3 main concepts, or pillars:

- trustworthiness – is about having confidence in the people and organisations that publish statistics
- quality – is about using data and methods that produce statistics
- value – is about publishing statistics that support society's needs

The following explains how we have applied the pillars of the Code in a proportionate way.

Trustworthiness

The figures were created to support Government decision making and understand the impact of policies on household incomes and individuals in low income. They are being published to give equal access to all those with an interest in them.

Quality

The data that underpins this information is taken from DWP's Policy Simulation Model which includes caseload forecasts taken from DWP and HMRC data. For consistency with previously published analysis the model is based on the policy environment pre-Spring Statement 2025, with the analysis using the most up to date model available at the time of the original announcement.

The information used refers to individuals who will be affected by the change to the proposed social security measures, as above.

Value

Releasing this information serves the public interest in the poverty impacts of changes to the incapacity and disability benefits system. The figures also help reduce the administrative burden of answering Parliamentary questions, Freedom of Information requests and other forms of ad hoc enquiry and serves public.

Further information and feedback

Contact DWP Press Office if you have any questions or feedback.