Of little benefit

The necessity of the £20 Universal Credit uplift for young people seeking independence

SEPTEMBER 2021

As the UK moved into lockdown in the spring of 2020 to combat the spread of COVID-19, the government announced a raft of support measures to help businesses, workers and individuals weather the impact of the public health restrictions put in place.

In the 2020-21 financial year, an extra £275bn was spent to support public services, households and businesses. Of this, an extra £8bn was spent above forecasted rates on the welfare system- namely, a temporary £20 weekly uplift in universal credit payments.[1]

The amount of individuals claiming universal credit has doubled from 3 million in March 2019 to just under 6 million as of June 2021.
In December 2020, nearly a million young people aged 16-24 were claiming universal credit – down to 918,000 as of June 2021.[2]

This uplift meant young people under 25 claiming universal credit received £344 a month, up from £257 prior to the pandemic. Since its inception, Universal Credit rates have been lower for those aged under 25 than to those aged 25 and over, reflecting "the fact that young people generally have lower living costs and lower wage expectations", as well as to reinforce stronger work incentives for this age group.[3]

[1] Office for Budgetary Responsibility, **Economic and fiscal outlook – November 2020**, 25 November 2020
[2] Department for Work and Pensions, **Universal Credit data tables**, 17 August 2021
[3] Department for Work and Pensions, **Impact Assessment (IA): Universal Credit**, December 2012

The universal credit uplift was enacted to reduce the amount of financial hardship felt by vulnerable people during an uncertain time and risk of job loss. As the UK moves into recovery from lockdowns and the reopening of society, YMCA analysis of multiple government datasets shows how necessary this £20 uplift is for the young people we support in England and Wales just to get by.

YMCA is the largest charity provider of accommodation for young people in England and Wales. We were a home to 20,000 young people in our supported housing in 2019-20, providing somewhere to live for those at risk of homelessness, connecting them with caseworkers and providing access to life skills and budgeting sessions designed to help them live independently.

We support young people to be able to move on with the best chance of securing and staying in their own place. However, the announcement by the government that it plans to end the £20 weekly uplift has prompted analysis of how heavily this will impact the young people we support in their hard-earned independence.

In response to conversations with housing workers and young people in YMCA accommodation, we wanted to back up these stories with localised evidence of the financial struggle young people face. We have analysed a range of government datasets to understand how affordable living independently was for those who have lived in supported housing, whether currently in work or not, and how much less so this will become after the uplift is withdrawn on 6 October. This includes looking at costs based on local authorities in England and Wales, to understand variation across the two countries and to create a more granular picture of reality.

This report examines the choices a young person has when they move out of supported housing: the type of accommodation they move in to, the impact of working on their income and how much money they have after paying for necessary items.

Behind all this is the welfare system which supports those in need of extra support, or have fallen on hard times. It provides a safety net to afford life's essentials – although young people receive less than those aged 25 or over.

What are our young people entitled to?

Those under 25 and living without a partner are entitled to £344 a month in Universal Credit payments under standard allowance. As of 6 October 2021, this will be reduced to £257.33. For those aged 25 and over, these figures are £411.51 and £324.84 respectively.

The lower amount of Universal Credit young people receive reflects the lower wages younger workers typically earn, the DWP states, and likely lower costs of living.

Those eligible for Universal Credit can additionally receive help to cover rent through the Local Housing Allowance (LHA), which is calculated based on where a person lives. Typically, any person under 35 in private housing and not living with a partner, LHA payments are capped at the shared accommodation rate (SAR), which is a lower amount granted on the basis that people under 35 are assumed to live in shared accommodation.[4] Those living in social housing can apply to have the value of their rent covered by their local council, up to the value of the applicable LHA rate.

As of May 2021, individuals who had previously lived in a hostel for homeless people (such as YMCAs) for at least three months were exempt from the SAR cap, and instead can receive the rate of LHA for a one-bedroom property.

If young people are in work, their earnings are tapered to account for receiving Universal Credit payments. For every £1 they earn, 63p is taken from their Universal Credit payments. The exception to this is if an individual has a child or has limited capability for work due to health reasons. People in these categories they can earn up to £293 a month if they receive housing support or £515 if they do not before their Universal Credit payments are affected.

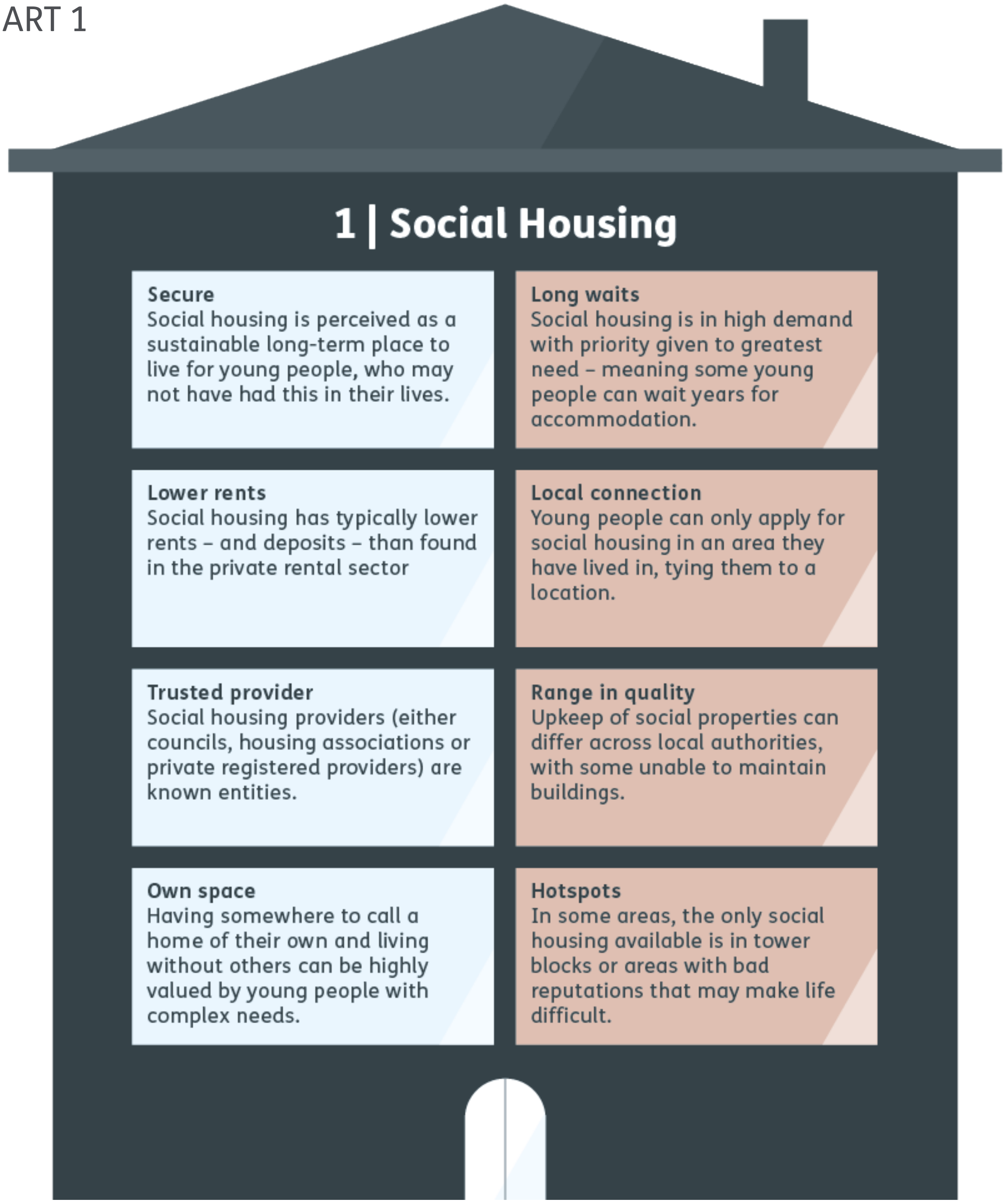
[4] Department for Work and Pensions, **Local Housing Allowance Guidance Manual**, April 2014

Where to live

A young person leaving supported housing typically has three options when leaving supported housing: social housing, shared housing or a one-bed apartment.

Each has its own draws and drawbacks in terms of suitability, affordability and sustainability.

CHART 1



2 | House-share

Affordable Sharing a house, rather than footing the bill for a place of their own, means lower overall costs.	**Luck of the draw** It's hard to know how it is living with some people until you're actually doing it. Housemates can also change frequently.
Social Some young people will benefit from living with others and having people around to talk to.	**"No DSL"** Although it is illegal for landlords to discriminate against tenants on benefits, there can be requests for professionals or students only.
Trusted provider Social housing providers (either councils, housing associations or private registered providers) are known entities.	**Non-metropolitan** Cities may be plentiful in options for rooms going in house-shares, but supply is often far lower in rural areas.
Own space Having somewhere to call a home of their own and living without others can be highly valued by young people with complex needs.	**Guarantors** Young people on benefits may need a guarantor for their contracts. Those who have lived in supported housing often don't have someone to do this.

3 | One-bed place

Own space
Having somewhere to call a home of their own and living without others can be highly valued by young people with complex needs.

High costs
One-bed places come with a higher cost for space, especially if not sharing with a partner.

Higher supply
There are often more one-bed flats available than house shares in some towns.

Quality?
To find a property within budget, young people might have to take low-quality properties.

Trusted provider
Social housing providers (either councils, housing associations or private registered providers) are known entities.

Guarantors
Young people on benefits may need a guarantor for their contracts. Those who have lived in supported housing often don't have someone to do this.

Own space
Having somewhere to call a home of their own and living without others can be highly valued by young people with complex needs.

Too good to be true. A deposit may not be required as part of more casual arrangements. Without legal contracts, a young person won't have certain rights or entitlements from their landlord.

What determines where a young person lives can depend as much on availability in their area as it can their social situation. Young people who have been in the care system may be given higher priority for social housing by those who have not; a more informal rental arrangement in a private house-share might be taken if the landlord doesn't require a five-week deposit to be paid upfront.

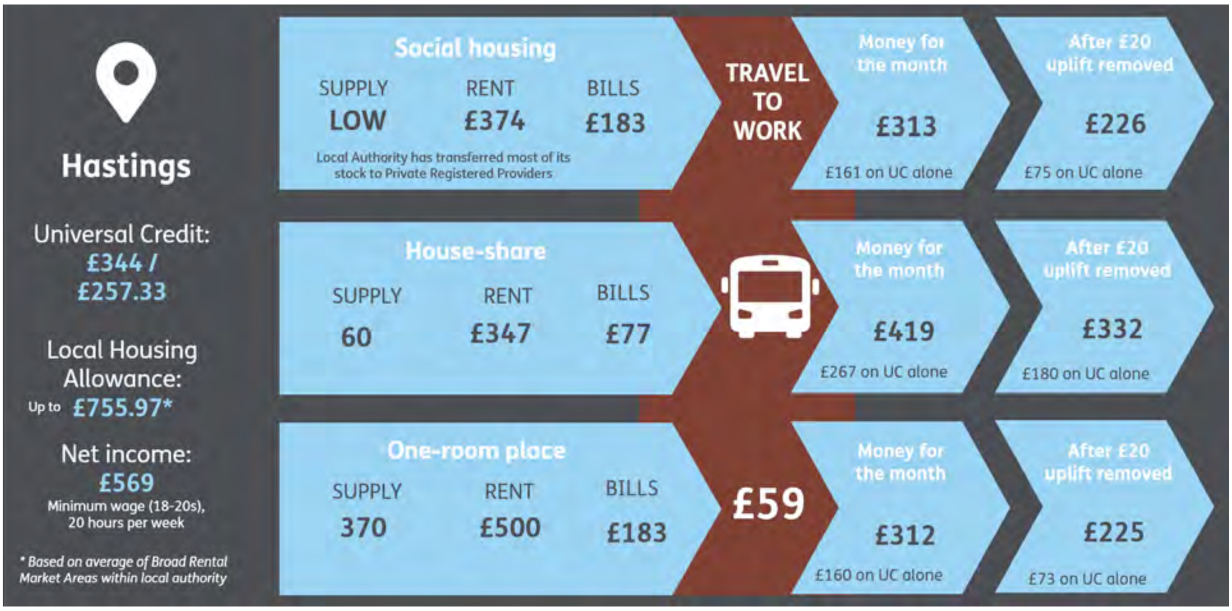
Scenario 1: Not in work

Young people in supported housing may not have a job at the time they move into their own accommodation. The tapering of Universal Credit and Housing Benefit when in work can make the cost significant to young people to afford supported housing rents.

Chart 2 outlines the financial realities of what living independently would look like for a young person who had lived in supported housing and is not in work. It shows what they would currently receive in welfare, as well as what this would look like without the £20 weekly Universal Credit uplift.

It details the reported amount of different types of accommodation in a local authority (social housing, private house-share, private one-bedroom property) and associated costs. In some areas, local authorities do not have enough properties to calculate average prices and so those of private registered providers (housing associations, for-profit organisations) are used instead for the average rent price for a one-bed social housing property. For private rentals, we have used the room counts and lower quartile cost in each local authority of a room to rent and a one-bedroom property. Bills were calculated using national average consumption for single-person and multiple-person households, as well as local council tax rates.

CHART 2



This was calculated using statistics from the Department for Work and Pensions, the Valuation Office Agency and the Office for National Statistics. For a full list of sources, please see the references at the end of this report.

Shared housing provides the most affordable option for young people, with lower rentals and bill payments shared amongst housemates. The availability of house-shares varies across local authorities: whilst they are abundant in London and metropolitan areas, in smaller towns and cities, supply (and therefore choice in quality) is scant. Even with the uplift in place, young people on Universal Credit and living on their own may not be able to cover all their needs in a month, with only £170 on average in the bank for those living in Blackburn.

After the Universal Credit uplift has been removed, the only near-sustainable option for young people is to live in shared housing. In bigger cities, these may be easier to come by, however in many local authorities, counts were particularly low. The average amount of house-shares in local authorities is 61, and the median is 20.[5]

The amount of money young people are left with after housing payments and bills falls short of those just a few years older: Universal Credit claimants aged 25 and over will receive an extra £67.51 per month more than the figures shown here when the £20 uplift is removed.

Scenario 2: In work

Getting a job is the obvious way to get more money in pocket, regardless of the level of Universal Credit payments received.

Through the COVID-19 pandemic, lockdowns and mandated closures of industries such as hospitality and retail – which are often employers of young people. In April-June 2021, the number of young people aged 16-24 in employment was 7% lower than in January-March 2020.[6] Although employment rates fell more amongst this cohort than those aged 25 and over during the pandemic, the employment rate for young people rose at a faster rate in April to June 2021.[7]

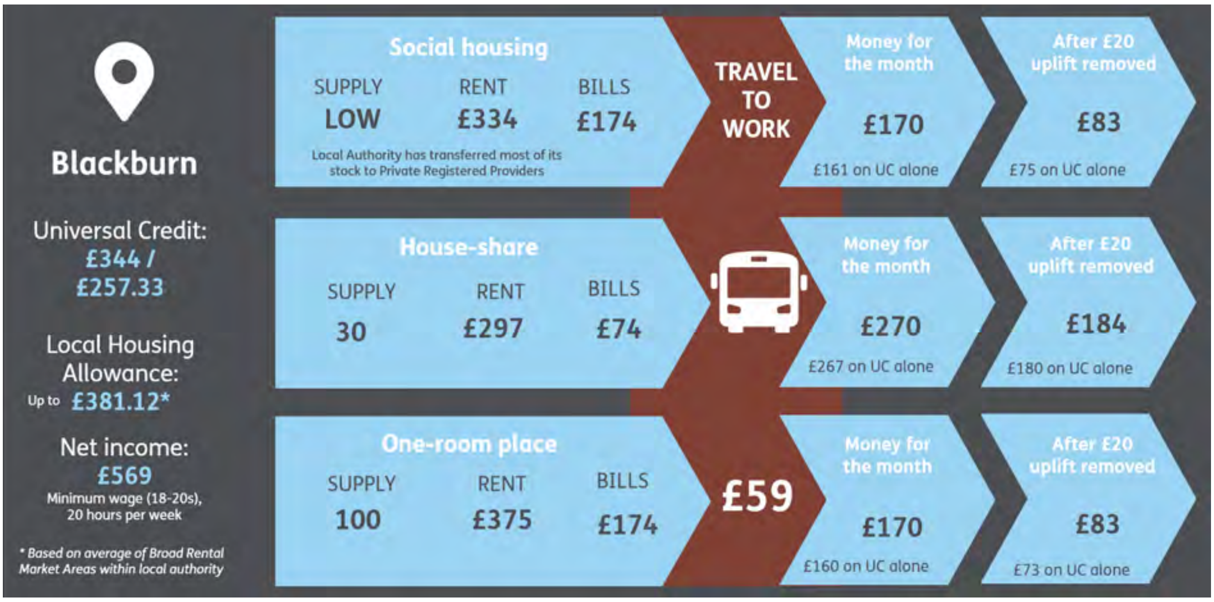
Young people who have lived in supported housing typically do not have university degrees, may not have completed further education or with previous work experience. Many entry-level jobs for young people without degrees will be at the National Minimum wage, with only those aged 23 and above entitled to the National Living Wage.

[5] ONS**, Private Rental Market Statistics**, 11 December 2020
[6] House of Commons Library, **Youth Unemployment Statistics**, 17 August 2021
[7] ONS, **Employment in the UK: August 2021**, 17 August 2021

CHART 3

Earnings in Chart 4 are taken from ONS' employee earnings dataset, based on the 10th percentile of earners in each local authority to represent those in lower-income roles. From this, we calculated how many hours a young person of different ages would have to work at minimum wage to earn this amount. Also included is the average monthly bus fare for an area to account for travel to and from the workplace for four days a week.

CHART 4



As can be seen above, the monthly earnings for someone aged 18-to-20 working 20 hours a week in a minimum wage job in Hastings would cover little more than rent and bills, even in the cheapest accommodation. Add onto this the cost of public transport to get to work, this comes down further.

Someone earning this amount would be entitled to Universal Credit alongside their earnings. As seen in the Entitlements box, people who work whilst claiming Universal Credit have their income tapered, losing 63p in every pound they earn until their net salary is equal to or more than their tapered salary, Universal Credit and LHA payments.

Chart 4 shows that an 18- to 20-year-old working 20 hours a week in Hastings will be around £152 better off in net income when earning £569 a month, rather than relying on Universal Credit income alone.

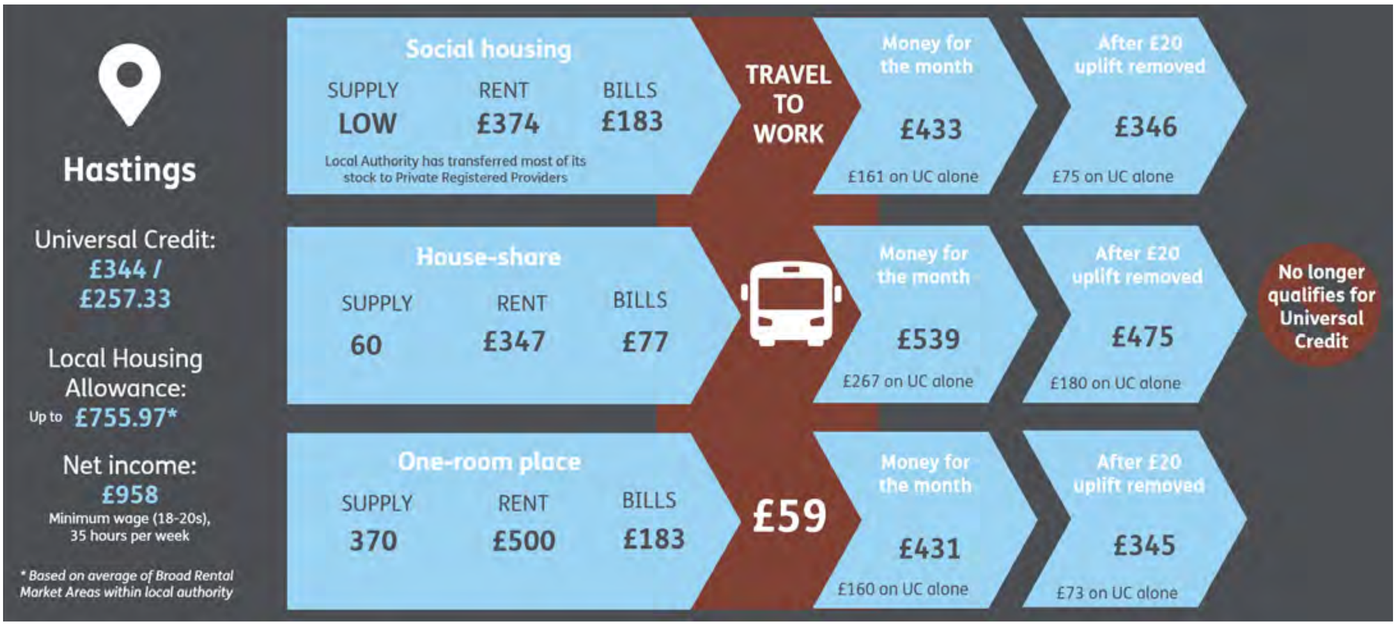
Young people on low incomes are vulnerable to a sharp fall in disposable income with the removal of the £20 weekly Universal Credit uplift. Whilst the Housing Element of their Universal Credit payments will guarantee their rent will be paid, what is left to live on for food and everyday expenditure will be squeezed after 6 October. Over a third (38%) of Universal Credit claimants aged between 16 and 24 are employed.

Working more

The Department for Work and Pensions (DWP) has declined calls to keep the £20 weekly Universal Credit uplift in place, stating that its focus is to help claimants increase earnings by entering work or increasing hours worked.[8]

Chart 5 takes into account if a young person aged 18-20 in Hastings received the 20th percentile of income within the local authority, equating to working 35 hours a week at minimum wage. This would provide a net income of £958 after national insurance and employee pension scheme payments.

CHART 5



[8] BBC News, "**Universal credit £20 drop: 'I'm used to hunger pains'**", 2 September 2021

The cost of living

How much difference does the uplift of £87 a month make for young people on Universal Credit? If they receive a housing element for payments that covers rents, it could be assumed the uplift in payments during the pandemic has been a nice-to-have bonus rather than a vital lifeline.

Chart 4 displays the expenditure on household spending of the lowest 20th percent of earners without children, weighted to an individual. This has been split into essentials – food and non-alcoholic drinks, health, clothing and footwear, communication, miscellaneous goods and services (toiletries, personal care etc.).

Using ONS measures, someone with a low income with no children can expect to pay £266 a month on the bare essentials. This excludes many everyday items considered for quality of life, from entertainment streaming services to meals out, or a drink after work. This also excludes any money put aside either into savings or for "rainy-day" needs.

SOURCE: ONS, *Family spending in the UK, April 2019 to March 2020*, March 2021

The amount of money a young person will be left with after all these necessary expenditures will depend on where in the country they are, what kind of accommodation they are in and if they are in work.

Below takes an average from across all local authorities in England as to how much money a young person might expect to have left in their pocket at the end of the month – both as the welfare system currently stands, and after the removal of the £20 weekly Universal Credit uplift.

How much left after rent, bills and essentials?

Based on those aged between 18 and 20 working at minimum wage

		With £20 uplift	After 6 October
Social housing	UC	-£97	-£183
	24 hrs	£156	£69
	39 hrs	£295	£251
Shared housing	UC	£3	-£83
	24 hrs	£255	£170
	39 hrs	£360	£318
One-bed	UC	-£116	-£202
	24 hrs	£137	£51
	39 hrs	£223	£153

For young people on Universal Credit and not in work, affording essential items after rent and bills can already lead to shortfalls. This could take the shape of falling behind in rent or bill payments, or reliance on food banks or skipping meals.

Those living in shared housing on Universal Credit currently can just get by on welfare payments. If in part-time work, young people will have more of a comfortable buffer, with those closer to full-time hours on average taking home £100 more a month. If in either a privately-rented or social housing one-bed place, young people working part-time will be able to afford a few of life's luxuries at present, but with little room for manoeuvre.

Once the £20 uplift is removed, however, many more young people on universal credit can expect to be pushed closer to the breadline, or even further into arrears with their payments. These will be young people who do not have the typical family support network to be able to lend them money to tide them over.

Conclusion

Young people leaving supported housing and into independent living are do so with a precariousness that many of those moving out of the family home do not have. They do not have the same back-up or support, and are trying to forge their new start with limited money in the bank. As they are trying to establish themselves, they do so with a host of financial challenges, from the budgeting of limited money to the immediate ending or tapering of universal credit payments once starting work.

YMCA appreciates recent steps the government has taken to help those moving on from supported housing with the exclusion from receiving the shared accommodation rate as part of the local housing allowance.

However, across England and Wales, young people are not given adequate support to help set up their lives. The removal of the Universal Credit uplift will stop young people from affording to travel to job interviews, any upfront payments for work clothing or have a good quality of life at the start of their careers.

Recommendations

YMCA is asking the Government to maintain the £20 weekly uplift to Universal Credit payments to ensure young people striving for independent living are able to do so while affording the cost of living, and without an increased risk of falling into debt.

We also ask the Government to consider other ways to help young people at this crucial stage of life:

- **The Universal Credit lower (under 25) rates should not be applied if young people live alone**

- **Young people who have lived in supported accommodation for six months or more to be entitled to the ‘work allowance’ for Universal Credit payments, so they can earn more before tapering occurs to help them create and maintain their independence**

- **Commission a review of the caps placed on young people’s benefits in comparison to the actual cost of living**

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YMCA ENGLAND & WALES

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YMCA enables people to develop their full potential in mind, body and spirit. Inspired by, and faithful to, our Christian values, we create supportive, inclusive and energising communities, where young people can truly belong, contribute and thrive.

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