



Universal Credit: winners and losers

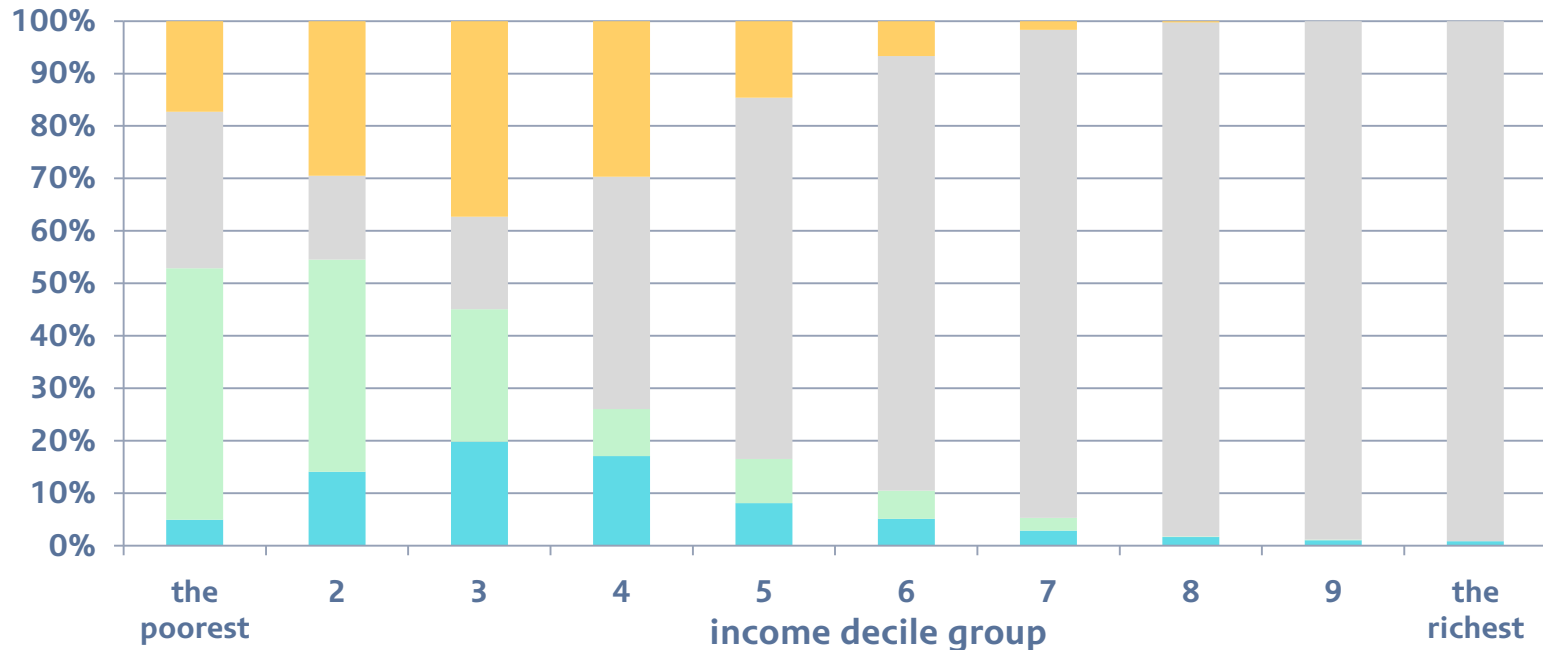
Estimating the cost and impact on families

- Compare families' disposable incomes under Universal Credit with those under the existing system in 2014-15
- Cover 'working-age' families in Great Britain only
 - exclude those with persons aged 60 or over, containing any students, or having no one aged 18 or over
- Assuming full take-up, no behavioural responses
- Maximum entitlement for Universal Credit matches current out-of-work benefits, and "income" defined as in current means-tested benefits
- Some simplifications
 - ignore SSMG, cold weather payments, in-kind benefits, support for childcare and for mortgage interest
- Impact analysis with and without transitional protection

Aggregate results

- 2.5 million working-age families will gain
- 1.4 million will lose out in the long run
- 2.5 million will receive as much payment as they do under the existing system
- Cost (given our assumptions)
 - Total gain of the winners is £3.6 billion per year
 - Total loss of the losers is £1.9 billion per year (ignoring transitional protection)
 - Long-run cost of £1.7 billion per year
 - Short-run cost depends on how families are moved across and nature of transitional protection

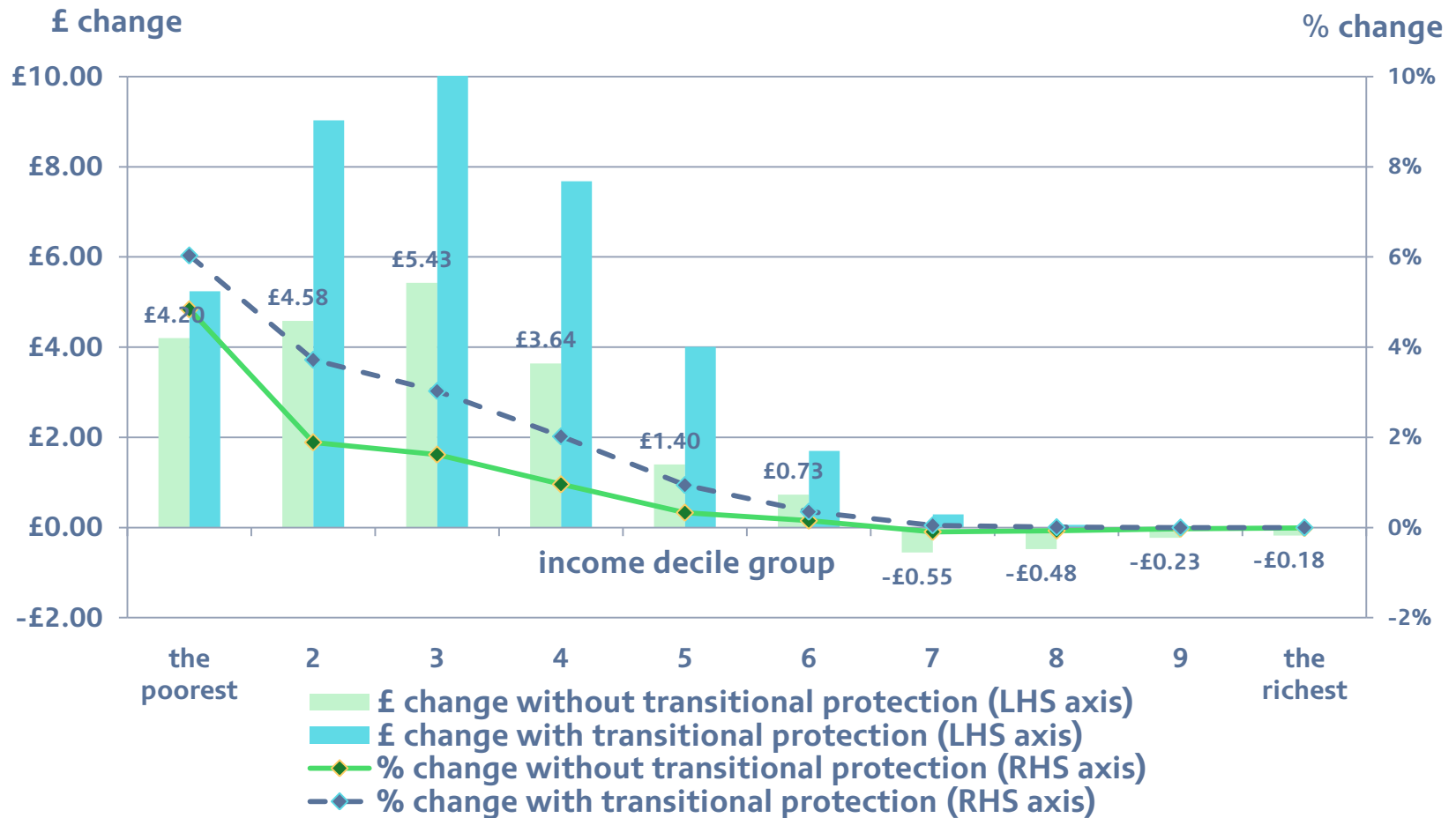
Winners and losers from Universal Credit



- loser (ignoring transitional protection)
- not affected because UC entitlement matches current entitlement to MTBs and TCs
- not affected and currently not receiving any means-tested benefits or tax credits
- winner

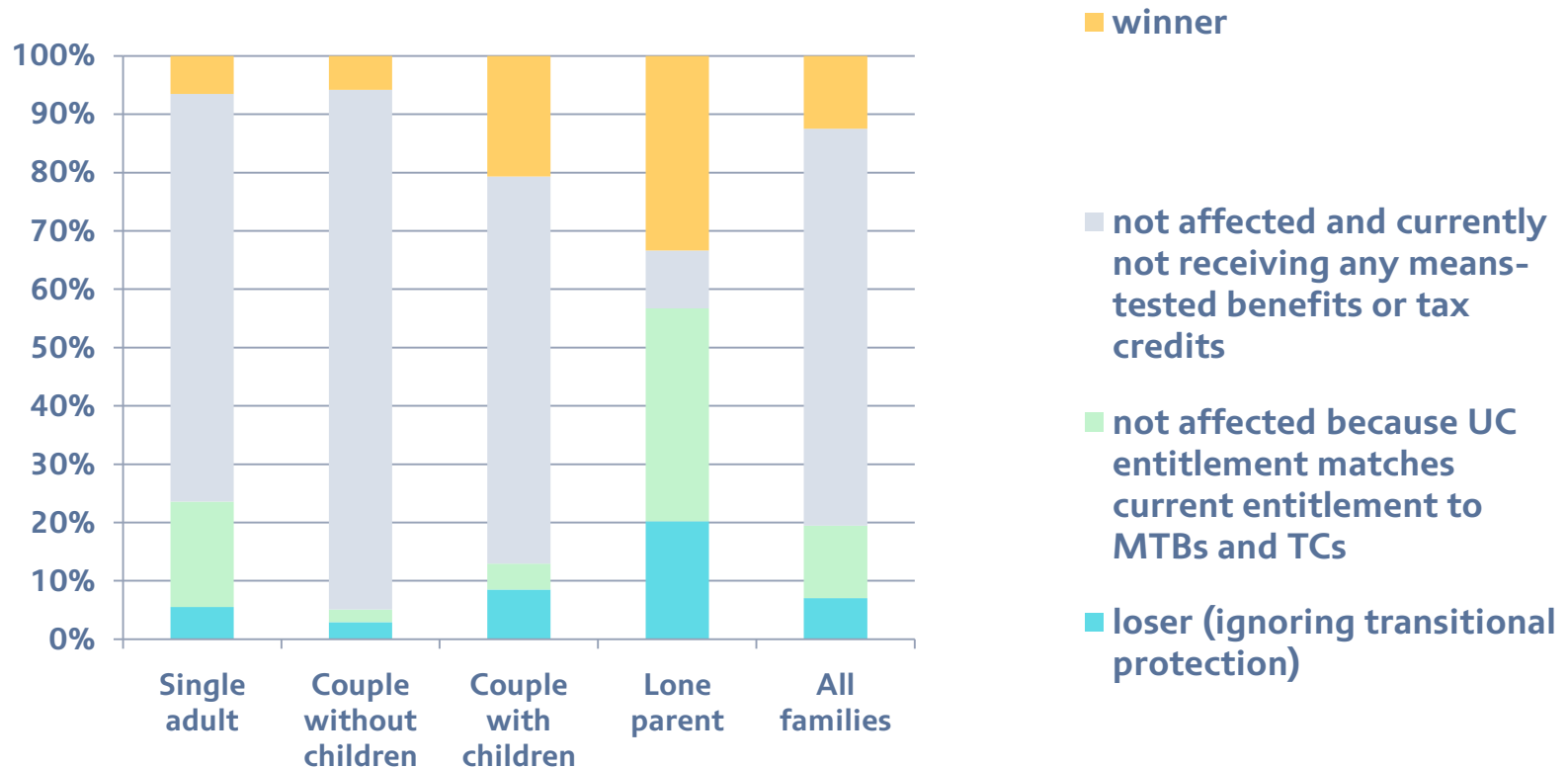
Notes: Income decile groups are based on equivalised family income using the McClements equivalence scale.
Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on uprated data from the 2008–09 Family Resources Survey.

Change in income by income decile group

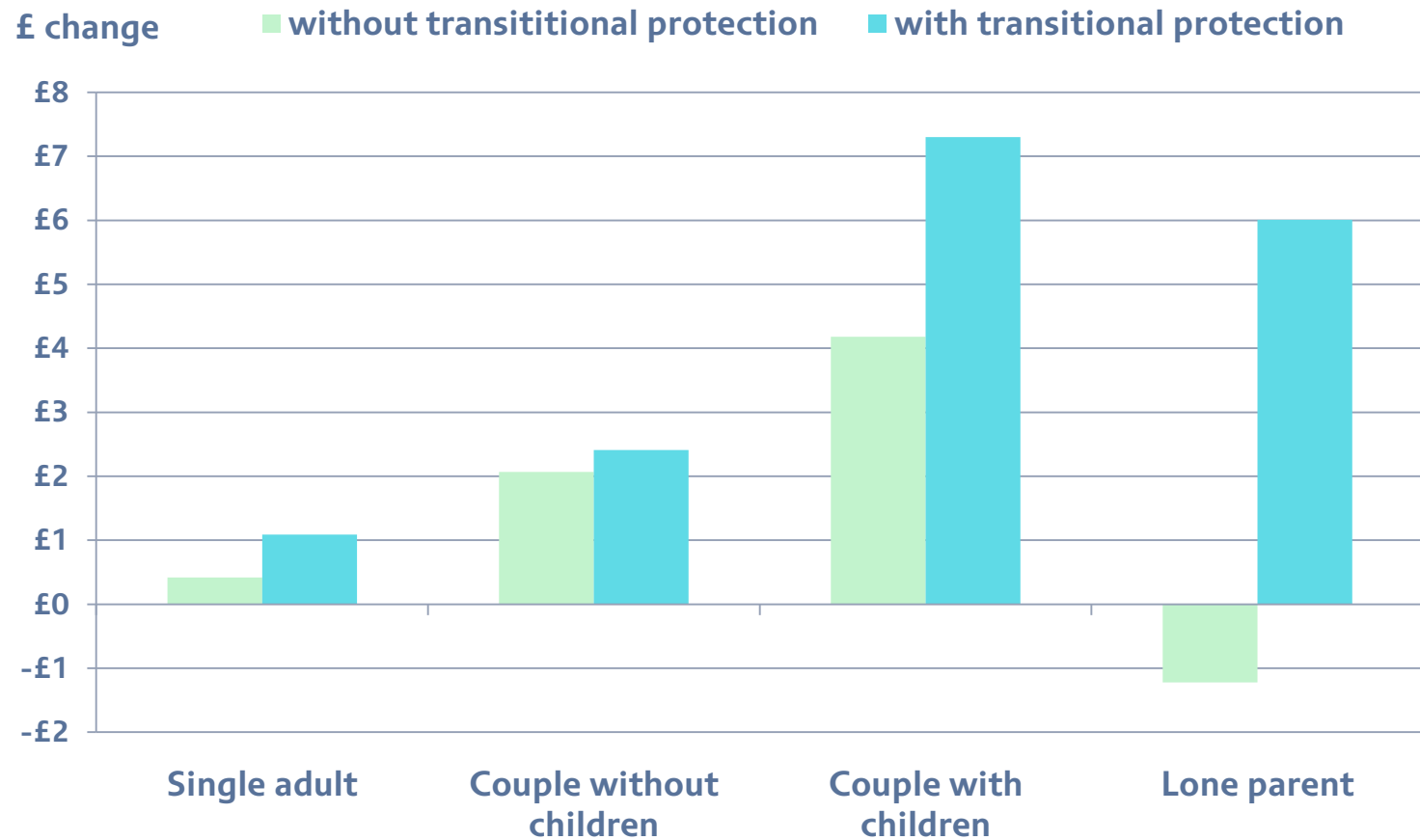


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Winners and losers by family type



Change in income by family type



Change in income by family type and employment status (without transitional protection)

<i>Family type</i>	<i>Number of adults in work</i>	<i>Fraction of that family type</i>	<i>Change in income, %</i>
single adults	1	73%	0.1
	0	27%	0.4
couples without children	2	76%	<0.1
	1	19%	1.0
	0	6%	0.5
couples with children	2	61%	<0.1
	1	33%	1.7
	0	6%	-0.9
lone parents	1	56%	0.1
	0	44%	-1.0

•Personal amount under UC > WTC
•Gain from earnings disregards

Unearned income to be treated more harshly under UC than under CTC

Summary: impact on family incomes

- 2.5 million winners, 1.4 million losers, and 2.5 million not affected
- Cost £1.7 bn a year in the long run (or without transitional arrangements)
- Across the income distribution
 - Bottom six-tenths will, on average, be better off, with a progressive pattern. The richer ones will lose slightly on average.
- Different family types
 - Couples will fare better than single people
 - Lone parents will lose, on average, in the long run;
 - Couples with children have the highest average gain
 - But substantial differences in impact within each family type
- No simple explanation for pattern; reflects parameters chosen by government for Universal Credit