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

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

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.
Winners and losers by family type

- **Single adult**
  - 100% winner

- **Couple without children**
  - 100% winner

- **Couple with children**
  - 100% winner

- **Lone parent**
  - Not affected and currently not receiving any means-tested benefits or tax credits
  - loser (ignoring transitional protection)

- **All families**
  - 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
  - 10% loser (ignoring transitional protection)
Change in income by family type

<table>
<thead>
<tr>
<th>Family Type</th>
<th>£ change without transitional protection</th>
<th>£ change with transitional protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single adult</td>
<td>£0</td>
<td>£0</td>
</tr>
<tr>
<td>Couple without children</td>
<td>£1</td>
<td>£2</td>
</tr>
<tr>
<td>Couple with children</td>
<td>£4</td>
<td>£7</td>
</tr>
<tr>
<td>Lone parent</td>
<td>£1</td>
<td>£6</td>
</tr>
</tbody>
</table>

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

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

- 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