

Financial support during the Covid-19 pandemic - a proposal for a Crisis Minimum Income

As the country turns its resources to responding to the Covid-19 pandemic it is crucial that households are protected from severe financial hardship. As we outline below, people need to receive a **Crisis Minimum Income of at least £180 a week** to have enough money to cover the bare essentials - so they can protect their own health and the health of others. This note sets out how we have arrived at this number but also the key mechanisms and actions needed to deliver it. We have previously published a [range of other measures](#) giving wider protections to renters, support for those in debt and help to pay essential bills, which support this proposal.

The case for a Crisis Minimum Income

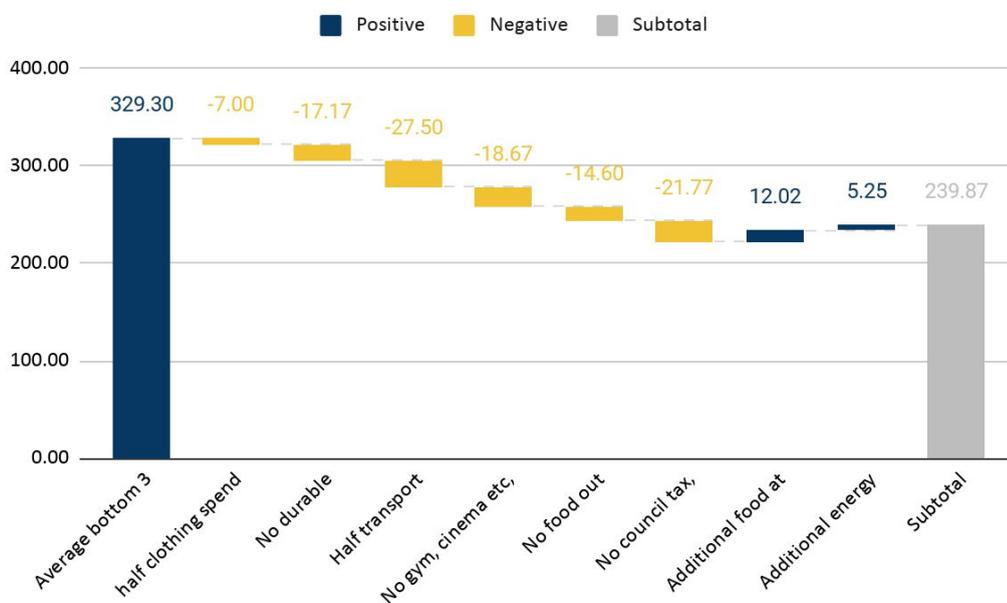
Citizens Advice helps people manage financial difficulties every day. Last year we helped 380,000 people with debt problems and a further 150,000 people navigate the welfare system.¹ Our advisers see the impact on people's lives when they can't make ends meet.

From data we collect when providing that advice, we know the people we help need a certain amount of money to avoid getting into financial difficulty. The average amount for a single household is £960 a month, while for a couple with children it is £1,700.

As individuals, public services, and businesses change their behaviour to help delay the impact of coronavirus, the way people live (and so spend money), will change dramatically. Many people will not be able to go to work and will lose the ability to provide for themselves and their families. People's needs will also change as they cut back on travel and spending outside of the home. Using the ONS's Living Costs and Food Survey, we modelled plausible changes in people's outgoings in the next three months, focusing on the bottom third of the income distribution.

¹ Citizens Advice, [Impact Report](#), 2018/19.

Modelled household spending during crisis for the lowest income 30%



Sources: ONS, Living Costs and Food Survey 2018

When this (net) reduction is applied to our data, it indicates a Crisis Minimum Income for a single individual of around £180 a week, excluding housing costs. This is different for households with children, but our suggested adjustments to Universal Credit (UC) should reflect this.

These numbers are of necessity rough and ready, but they are similar to amounts outlined in other work on a minimum income standard. The key public policy question is therefore, how best do we ensure that people have this Crisis Minimum Income during the coronavirus?

The mechanisms

The key principle that underpins our thinking is to make sure there is equivalent support for people regardless of employment status (employee/self-employed/agency etc.) or how much they earn.

We have also looked to ensure that groups who face different impacts get adequate financial support. This includes those with a short term direct impact from Coronavirus (contracted virus, self isolators), those with medium term impacts (social distancers, lack of childcare) and those with either longer term or undetermined length of impacts (medium/severe virus impact, loss of job).

The key challenge is the mechanism for ensuring people have this Crisis Minimum Income. We do not have a perfect answer, but wanted to set out our best provisional thinking as quickly as possible.

The first thing the government should do is set Statutory Sick Pay (SSP) at £180 per week, ensuring that any employee who is off sick receives this Crisis Minimum, with the government committing to meet this cost for all firms.

While some of the changes below would reduce the need for it, we would still recommend extending SSP to people below the Lower Earnings Limit. While this group of workers would be able to access the Crisis Minimum Income through UC under our design, it is still likely quicker to get support through firms than it is through Universal Credit, as long as the government is prepared to meet this cost to firms. It also reduces the administrative burden on the DWP.

SSP will also need wider eligibility. People who have been recently laid off, who are taking unpaid dependents' leave or socially distancing following government advice should all be eligible for SSP. This changes the use of SSP but maintains the link with the employer and is the most straightforward route to providing financial support for these varied circumstances

The more challenging changes are making sure that the welfare state can respond quickly and get more money into people's pockets by increasing benefit levels. There are two possible ways forward here for new claimants, and which should be used depends on how quickly government can make these changes and - at an operational level - get money into people's bank accounts.

One way would be to use new-style Employment and Support Allowance - this has the advantage of already being able to 'turn on' payments from day 1 of a claim and payments are made at week 2/3. However, it would require suspension of NI contribution requirements and would only help people who count as sick, rather than losing work as a consequence of the crisis.

The other way is to speed up payments in Universal Credit - either by turning advance payments into grants, or giving people guarantees that advance payment loans will be guaranteed on generous repayment terms (for example, pausing enforcement on them and not deducting from people's benefit payments for a period of a year).

Whichever mechanism is used, a number of additional changes will be needed - both for people directly affected by coronavirus, but also for people who are hit by the huge anticipated financial shock and lose their jobs and livelihoods.

To mirror the Crisis Minimum in Statutory Sick Pay, the most straightforward change is to set the standard allowance for a single person at the Crisis Minimum. The increase in Statutory Sick Pay should not impact calculating Universal Credit's housing, children and severe disability allowance, so that existing design features in UC to support people with housing costs and additional needs are maintained. To ensure that the state does not effectively pay people twice, SSP should be treated as pound-for-pound income (no work allowance or taper). This mechanism already exists for the payment of maternity allowance. If the government wants to ensure equivalence between SSP and UC for



couples, it could suspend the existing reduction in the core element for couples claiming UC (this would, for example, make sure that a couple with one person receiving SSP and one person self-employed but unable to work in receipt of UC were not disadvantaged).

If setting the standard allowance in UC at the Crisis Minimum is not possible, the work allowance should be made available to all claimants, not just those with responsibility for children or limited capability to work. Other measures should also be considered to stop giving people financial support through SSP and then taking it away in the benefit system.

This combination of changes would make sure that all employees and people making new UC claims received the Crisis Minimum Income. We think it is sensible to avoid natural migration to UC during this period. Therefore similar adjustments would need to be made to legacy and other benefits - specifically, Income Support, Job Seekers' Allowance and Employment and Support Allowances and new style ESA - to ensure people had the Crisis Minimum Income. Similarly adjustments to the treatment of SSP income would need to be made in Tax Credits and possibly Housing Benefit.

Additional changes may be needed to help people whose housing costs are higher than the housing element of Universal Credit. This could either be through Discretionary Housing Payments (processed by the LA), or by increasing housing allowance upon receiving proof of people's rent deficit (or automatically where this is already held). Either mechanism will be difficult to administer - so the government may want to consider a flat increase in LHA until there is sufficient state capacity available to do so.

Additionally, with council tax bills due to land imminently, an immediate way to relieve pressure would be to introduce three month council tax holidays, where people cannot afford to make payments. This is included in our modelling. These should be fully funded by the government.

The latest modelling indicates that to suppress Covid-19 we will need measures that severely curtail people's ability to work. The measures we propose above are expensive. But we will need unprecedented temporary measures to support individuals and families during this crisis. There has possibly never been a more urgent moment to get money in the hands of those who need it most.