National Institute of Economic and Social Research

NIESR's Response to the Autumn Statement

22 November 2023

UKRI Economic and Social Research Council

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Main Points

- The Chancellor delivered his Autumn Statement against a background of sluggish growth and above target inflation.

- NIESR continues to argue that fiscal policy ought not to be guided by arbitrary fiscal rules but, rather, should be set to bring to the forefront distributional concerns, productivity, well-being, ecological sustainability, and consistency across the devolved nations and English regions.

- Despite the downward revision to their GDP growth forecast and the upward revision to their inflation forecast, the OBR think the Chancellor will meet his fiscal targets with more headroom than in their March projection.

- This extra fiscal space enabled the Chancellor to cut National Insurance Contributions, make permanent the 'full expensing' of investment introduced in the March budget, provide some additional support for strategic manufacturing sectors, and introduce some welfare reforms.

- But NIESR still thinks that more could have been done; in particular, we continue to maintain the need to increase public investment to at least 3 per cent of GDP per year, which would help unlock business investment.

- We welcome the increase in the National Living Wage as it will boost the living standards of working families in the bottom two income deciles but sustained real growth will be necessary to help the households in income deciles 3-5 hit hard by the cost-of-living crisis.

- Extending financial incentives for free ports and investment zones will help generate a bit more growth, and further devolution deals are also welcome. But the problem is a lack of scale in public investment and a failure to have targeted industrial and skills policy. Levelling Up as it stands will not reduce regional inequalities in a significant, sustained manner.

Background

“Today’s Autumn Statement is occurring against a backdrop of low growth, as evidenced most notably by GDP per capita growing at less than 1 per cent per year in the last two decades. While the most recent data suggest that CPI inflation fell to 4.6 per cent in October, it is important to remember that inflation remains well above the Bank of England’s target. Against this background, it is the job of fiscal policy to boost growth and provide a cushion for the most vulnerable households. We hope today’s Autumn Statement moves policy in those directions.”

Patricia Sanchez Juanino and Paula Bejarano Carbo

The Spring Budget in March 2023 was described as a "budget for growth" by the Chancellor of the Exchequer. The proposed measures were designed to address the UK's productivity challenges and alleviate economic pressures on households. Notable announcements included the decision to maintain the Energy Price Guarantee at its existing level until June 2023, the expansion of the 30-hour-a-week free childcare provision to include one- and two-year-olds, an increment in the tax-free savings limit for private pensions, the extension of the 5p cut to fuel duty for petrol and diesel for an additional year, and an adjustment of the corporate tax rate, elevating it from 19 per cent to 25 per cent. Similarly, a range of measures aimed at promoting workforce participation were proposed. These included the provision of more slots in skills bootcamps to encourage individuals over 50 to re-enter the workforce post-retirement, as well as more stringent job search requirements for those claiming Universal Credit.

Since March, the overall prospects for the United Kingdom’s economy have not really changed. Today’s Autumn Statement is occurring against a long-term backdrop of low growth, as evidenced most notably by GDP per capita growing at less than 1 per cent per year in the last two decades. Future growth prospects are equally as sluggish; recent data suggest that UK GDP flatlined in the third quarter of 2023 and NIESR’s latest UK Economic Outlook forecast GDP growth to remain close to zero until 2025. Low GDP and GDP per capita growth rates are worrying signs that British living standards are not improving much.

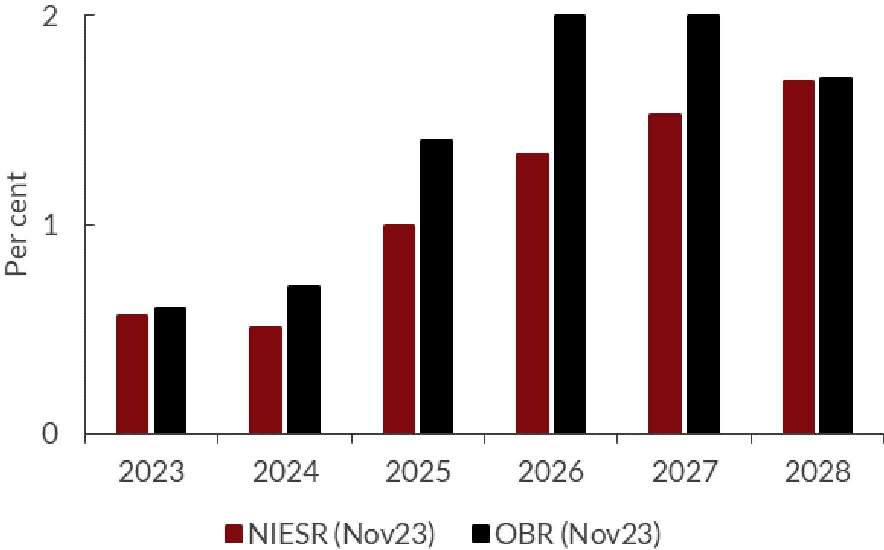
CPI inflation fell to 4.6 per cent in October as energy prices decreased significantly, having risen significantly in October 2022. That said, it is important to remember that inflation remains above the Bank of England’s target, which, as set by the government, is to maintain inflation at 2 per cent. While we think that the MPC has done enough to tame inflation by raising interest rates to 5.25 per cent, the central forecast in our recent UK Economic Outlook does not see inflation returning to 2 per cent until late 2025.

Faced with this background of low growth and still-high inflation, it is the job of fiscal policy to boost growth and provide a cushion for the most vulnerable households. Consequently, NIESR has been arguing for some time that government should focus on increasing public investment – which research suggests has a higher return than tax cuts (see, for example, Ramey 2020)- and raising living standards in bottom income deciles, by raising the national minimum wage, for instance.

The OBR has also unveiled its Economic and Fiscal Outlook today. They calculate that real GDP growth will be 0.7 per cent in 2024 and 1.4 per cent in 2025; this compares with NIESR’s Autumn economic forecast of 0.5 per cent in 2024 and 1.0 per cent in 2024 (See Figure 1). Unlike the OBR,

we think economic activity in the United Kingdom will remain sluggish as the monetary policy tightening to tame high inflation continues to kick in. Additionally, global economic growth momentum remains weak as the war in Ukraine continues and events in Israel and Gaza raise the possibility of a wider conflict in the Middle East. Looking towards the medium-term, both NIESR and the OBR's latest forecasts expect a GDP growth rate of 1.7 per cent in 2028-29.

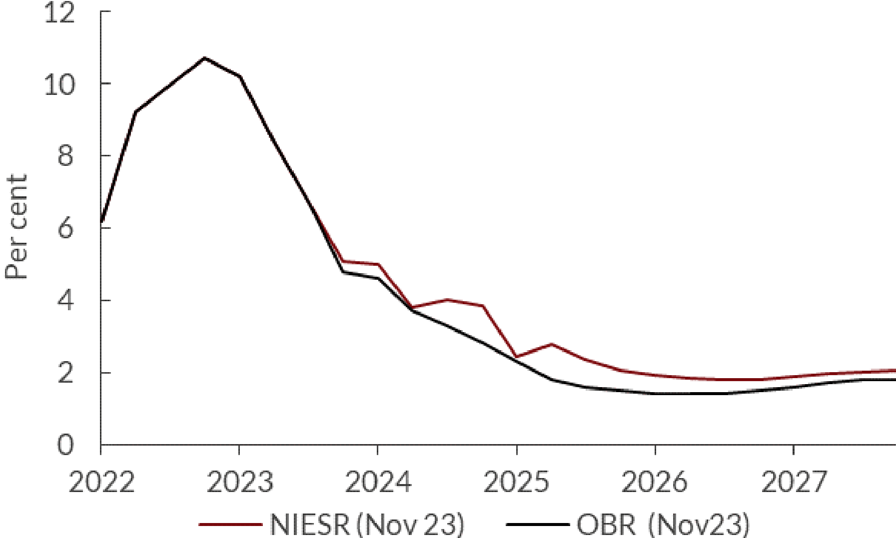
Figure 1: Annual GDP Growth Forecast Comparison



Source: NIESR, OBR

The OBR expects CPI inflation will be 3.6 per cent in 2024 and 1.8 per cent in 2025. In our Autumn outlook we forecast inflation in 2024 to average 4.2 per cent and 2.4 in 2025 (see Figure 2).

Figure 2: Annual CPI Inflation Forecast Comparison



Source: NIESR, OBR

Despite the tax changes announced today, UK households are still facing historically high taxation as a share of GDP. That this is the case at the same time as public services are on the brink of collapse is extremely worrying. One reason why this may be is that our public sector capital stock

(e.g., infrastructure) has been below its optimum level for some time, which would reduce the quality of our public services and put an unsustainable burden on the public-sector labour force to keep them afloat. The systematic running down of the public capital stock can be seen in the healthcare sector, for example, where insufficient infrastructure investment has led to a decrease in the number of usable beds in hospitals and a reduction in the quality or condition of the NHS estate, both of which have likely contributed to treatment backlogs (Warner and Zaranko 2022). Until we reverse the under-investment trend, budgetary increases will continue to be partially offset by a need to simply 'patch up' struggling public services.

Fiscal Space

"According to the OBR, the Chancellor will meet his fiscal targets for 2028-29. The debt to GDP ratio will be falling from 93.2 per cent of GDP in 2026-27 to 92.8 per cent of GDP in 2028-29. And the deficit will be lower than 3 per cent of GDP in each year from 2024-25 onwards. Given the current economic environment of low growth and falling inflation, we are disappointed that the Chancellor continues to set policy based on a set of arbitrary fiscal rules when his main concerns should be boosting UK growth, by increasing public and business investment, and supporting the least well-off members of society."

Hailey Low, Associate Economist

In today's Autumn Statement, the Chancellor confirmed that his fiscal targets remain:

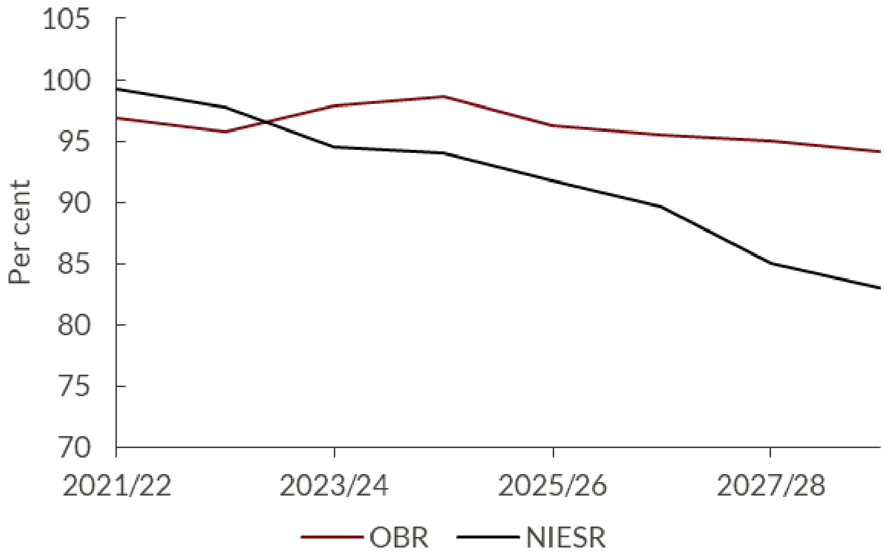
- Public-sector borrowing needs to be below 3 per cent of GDP in 5 years' time (i.e., the 2028-29 fiscal year)
- Public-sector debt needs to be falling as a percentage of GDP in 5 years' time (i.e., over the 2028-29 fiscal year)

For some time now, NIESR has been arguing that such targets are completely arbitrary, and policy should not be constrained by them. Instead, NIESR would argue for a new fiscal framework that can provide enough flexibility to respond to economic shocks while ensuring credibility is maintained. Broadly, such a framework would: improve fiscal communication by requiring the Chancellor to follow a structured timetable for fiscal events (without prior policy leaks); increase transparency and accountability by requiring the OBR to publish pre-fiscal event reports and the Chancellor to produce economic risk assessments based on scenario analyses; maintain at all times a high standard of policymaking and policy evaluation via the creation of a new body of independent experts that is less City-dominated; and guarantee a fiscal strategy that works for all by bringing distributional concerns, productivity, well-being, ecological sustainability, and consistency across the UK regions to the forefront.

That said, it is worth considering how much 'fiscal space' the Chancellor has relative to his announced targets. In their latest Economic and Fiscal Outlook, the OBR calculated that, after today's announcements, the Chancellor will achieve his debt target with £13 billion (92.8 per cent of GDP) of headroom, while the deficit to GDP ratio will be lower than 3 per cent in every year from 2024-25 onwards. The greater amount of fiscal headroom relative to March has been driven by higher and more persistent inflation this year and over the medium term than the OBR was expecting back in March. This increase in fiscal space allowed the Chancellor to announce a modest easing of fiscal policy in the Autumn Statement amounting to a 0.3 per cent boost to GDP over the five years of the forecast period. This easing came through cuts in National Insurance Contributions, making 'full expensing' of investment permanent, and various welfare reforms. We discuss the possible effects of these tax cuts and spending increases later in this document.

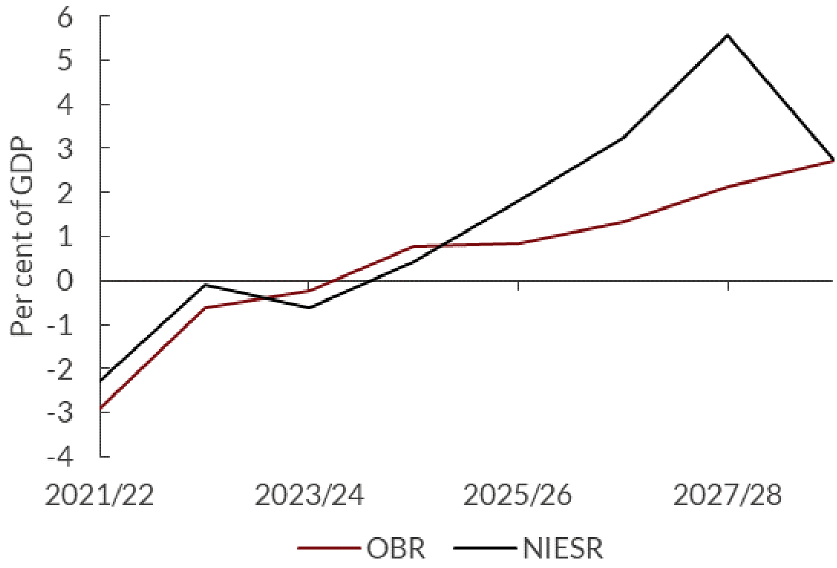
However, NIESR still believes that the government has more fiscal space against its targets than suggested by the OBR (figure 3) on account of the implicit 'inflation tax' on government bondholders, given we project that inflation (and, so, nominal GDP) will remain higher than expected by the OBR. It is noticeable, though, that in both forecasts the Chancellor is relying on a large fiscal tightening, as measured by the Primary budget surplus, *after* the election to achieve his fiscal targets (figure 4). This results from large cuts in real government spending and increases in personal taxation coming from fiscal drag (i.e., more people falling into higher tax brackets as personal allowances are left unchanged). Whether an incoming Chancellor of any political persuasion will be able to go through with this tightening is questionable.

Figure 3: Debt to GDP Ratio (including Bank of England)



Source: OBR Economic and Fiscal Outlook and NIESR Forecast

Figure 4: Public-Sector Primary Balance



Source: OBR Economic and Fiscal Outlook and NIESR forecast.

The increase in fiscal space could provide the government with some leeway for an expansionary fiscal stance in the run-up to the election. But we believe the Chancellor should look further than short-termism and focus on long-term sustainability and growth. The policies supporting business investment, especially, making permanent the full expensing of capital expenditure introduced as a temporary measure in March, in today's Autumn Statement were a welcome move. However, NIESR continues to argue that there is a need to increase the level of public investment, to at least 3 per cent of GDP annually, if we are to create the conditions for higher business investment and growth in the UK economy.

Tax Changes

"The changes to National Insurance will benefit many but is an expensive way to achieve the government's stated aim of getting people into work. The cuts to rates and the abolition of a particular NIC that the self-employed pay will benefit around 66 per cent of the population but will disproportionately impact higher earners. The OBR state this will incentivise an additional 28,000 people into work, but at a cost of around 10 billion per year this implies a cost of over £360,000 per person."

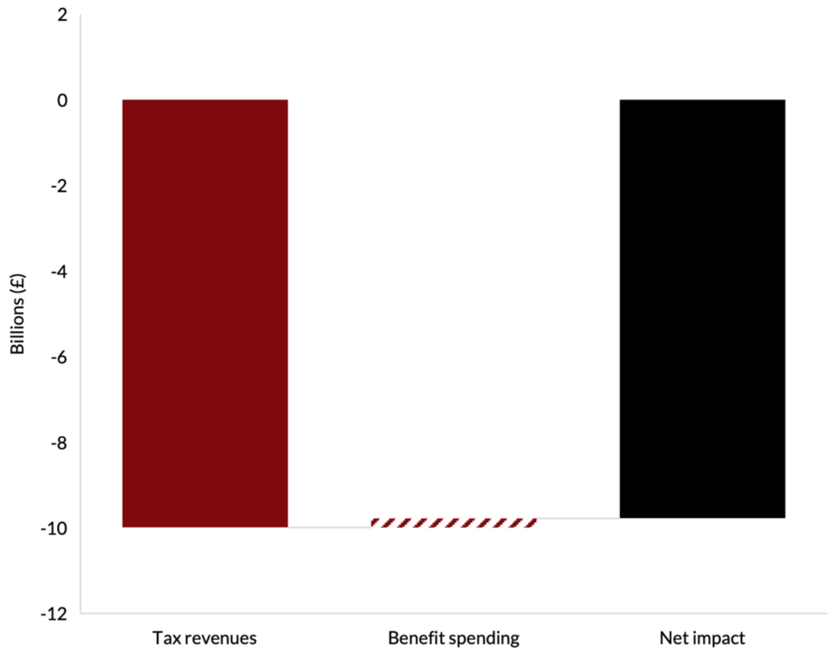
Max Mosley, Senior Economist

The Chancellor has announced a series of changes to reduce the amount people pay in National Insurance Contributions (NICs). The stated ambition is to allow households to 'keep more of their hard-earned money' and to grow the economy by incentivising more people into work. The rate paid for Class 1 National Insurance - the 'main rate' people pay on their earnings - has been reduced from 12 per cent to 10 per cent, which is projected to impact 27 million people. We estimate that the net cost of this change is around 9 billion. Class 2 contributions - one of two NIC rates paid by self-employed people – has been abolished, which together with a fall in Class 4 contributions – the other NIC rate paid by self-employed people – from 9 per cent to 8 per cent will cost around 500 million per year. The total annual cost of the changes to NIC is therefore around 10 billion. The abolition of Class 2 NIC will take effect on the 6th of January 2024, with the changes in Class 1 and Class 4 rates due to be implemented in April of 2024.

The OBR project that these changes will incentivise 28,000 people in the labour market; at a cost of 10 billion per year, this implies this reform will cost over 360k per person incentivised into work.

In conjunction with incentivising work on the supply side, the changes to national insurance will also have a host of impacts on the demand side. For example, higher-take home pay for those in work translates into great disposable income for those 32.8 million already in work. As a result, we expect this cut to national insurance to lead to an 0.4% increase in consumer spending over the next five years. This will help to increase GDP by about 0.15% on average over the next 5 years, as shown in Figure 8. However, given the precarious economic climate, this could also put upward pressure on prices. This may lead the Bank of England to consider further hikes in the base rate in the medium term if inflation remains above its 2 percent target.

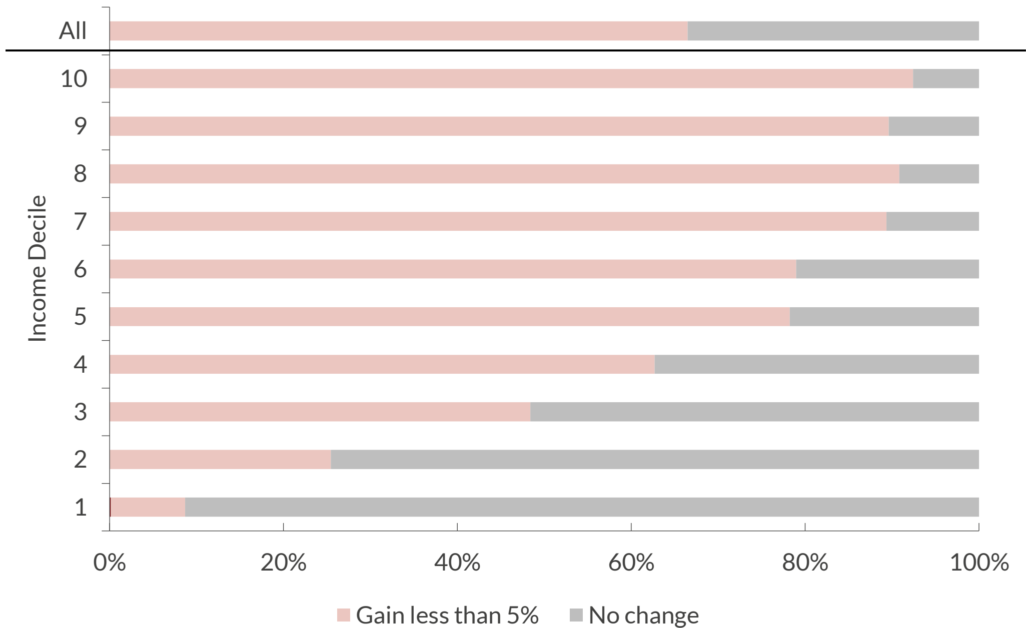
Figure 5: Budgetary Impact of Changes to National Insurance



Source: PolicyEngine

The Chancellor noted that these reforms will impact a large proportion of the UK. We project that around 66 per cent of the population will see a benefit. Although the impact across households wide, the impact within each household is somewhat small. No household will see an impact greater than 5 per cent of their income (whereas this is the case for other reforms mentioned below). Across the income distribution, a greater proportion of higher income households will benefit than compared to lower earners.

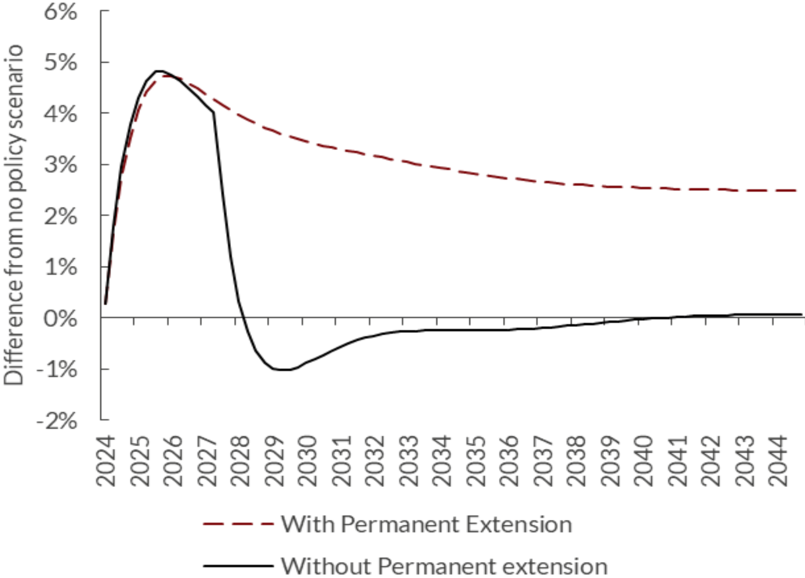
Figure 6: Overall Outcomes by Income Decile from Changes to National Insurance



Source: PolicyEngine

The permanent extension of the full expensing measure announced by the Chancellor will allow firms to write off the cost of new plants and machinery beyond 2026. This ensures a lower effective tax rate on investment in the future and increases the attractiveness of capital formation in the UK in the long run. This is a welcome measure which also enhances the UK's competitive position internationally. We estimate that this policy is expected to lead to a sustained 2.5 per cent increase in business investment and contribute to an increase in GDP by 0.2 per cent in the long run. However, this does not do enough to counteract the increase in the corporation tax rate from 19 per cent to 25 per cent in April 2023. Moreover, the government should be careful to ensure that this does not lead to excessive bias towards investment in tangible assets over to intangible ones, such as training and development.

Figure 7: Impact of Full Expensing on Business Investment



Source: NIESR analysis

Spending Changes

"The Chancellor's announcement to provide £4.5bn support into strategic manufacturing sectors over five years represents positive steps toward boosting business investment. However, more needs to be done as there is a pressing need for improvements in infrastructure, education, skills, and healthcare, all of which are likely contributors of the sluggish productivity growth in the UK since the global financial crisis."

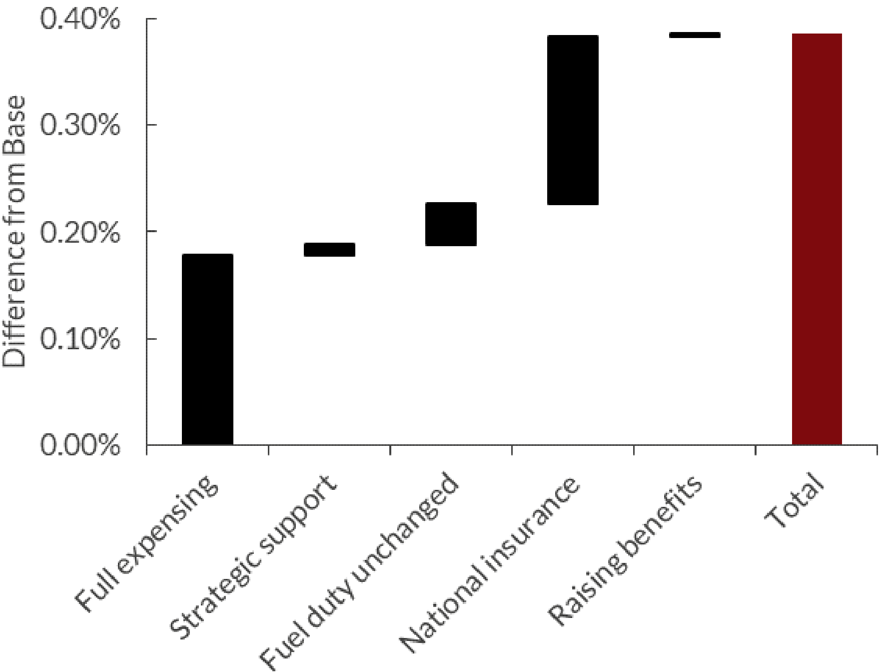
Ahmet Kaya, Ben Caswell and Ed Cornforth

In today's Autumn Statement, the Chancellor announced several spending changes, including £4.5bn support into strategic manufacturing sectors, support package for the small businesses, uprating of benefits and raising local housing allowance (LHA) rates. We simulate the impact of tax and spending changes on UK GDP and debt to GDP ratio. It is important to note that although there were several policy measures in the Chancellor's Autumn Statement, only a handful of these tax and spending measures will be doing the most visible impact on the economy. Namely, these are making full expensing permanent, the strategic support package to manufacturers, maintaining fuel duty without 5p increase, the changes in national insurance and raising benefits by higher inflation figures.

Figure 8 shows that the impact on GDP of strategic support and benefit increases is limited. Taken together, these two changes add only 0.2 per cent to UK GDP in the medium term. The overall impact on public finances is also limited, with the government debt ratio increasing by only 0.1 percentage points (Figure 9). This is mainly because the support for the strategic manufacturing sectors is spread over 5 years, although £4.5bn seems a lot. Our estimates show that all the tax and spending changes we consider in our simulations add on average 0.4 per cent to UK GDP over the next five years, at a cost of a 3 percentage point increase in the government debt ratio.

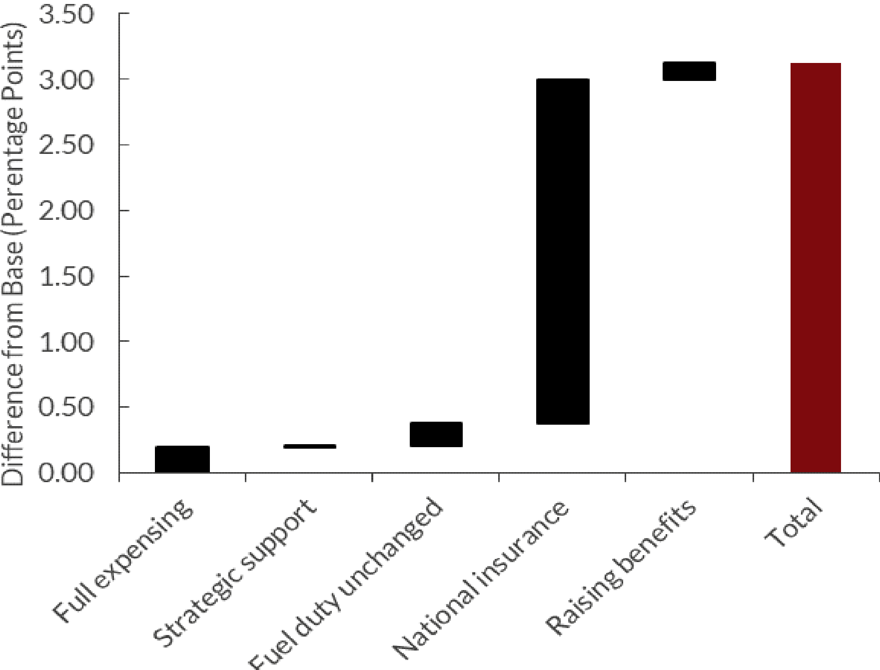
While these moves overall represent positive steps towards boosting public investment and provide some relief to the cost-of-living pressures, more action is required. The UK currently has one of the lowest public investment levels among advanced economies and there is a pressing need for improvements in infrastructure, education, skills, and healthcare, all of which are likely contributors of the sluggish productivity growth in the UK since the global financial crisis. NIESR has long been arguing that public investment should be increased to 3 per cent of GDP, which would increase public capital stock, business investment and productivity growth.

Figure 8: Impact of Tax and Spending Changes on UK GDP (5-year average)



Source: NIESR analysis

Figure 9: Impact of Tax and Spending Changes on Government Debt to GDP (5-year average)



Source: NIESR analysis

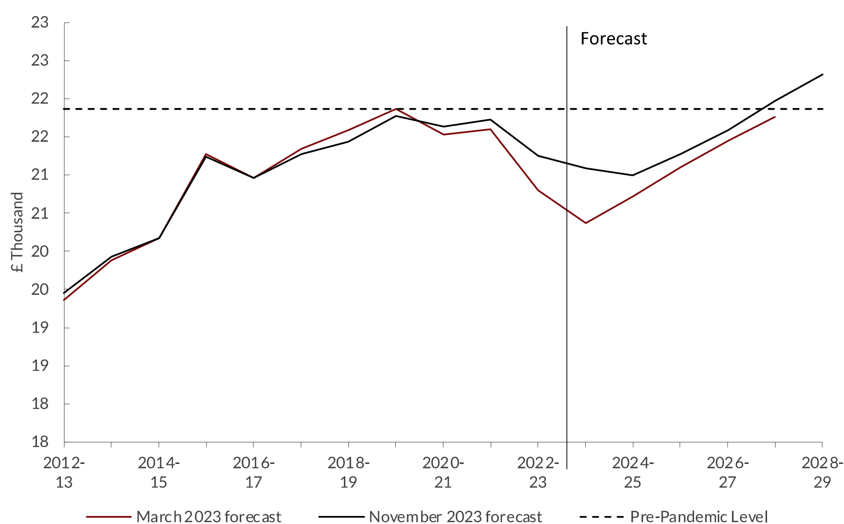
Welfare Changes

"The rise in welfare levels is generous but does not compensate for the lack of rise over the past year. Welfare may rise once a year, but prices are rising constantly. The announcement will temporarily take welfare levels roughly close to where prices are today, but prices are still rising (especially food prices), so welfare levels will very quickly become far too low compared to the cost of essentials. We must rethink how we set the incomes of the poorest in society."

Max Mosley, Senior Economist

Measures to raise welfare levels will always be welcome against the backdrop of one of the sharpest falls in living standards in a generation; the question is whether this goes far enough. The OBR have projected that real incomes will not return to their pre-pandemic level until 2026-27, seven years of lost living standards. The good news is that this return is sooner than previously expected.

Figure 10: Real Income Personal Disposable (RPDI) Projections

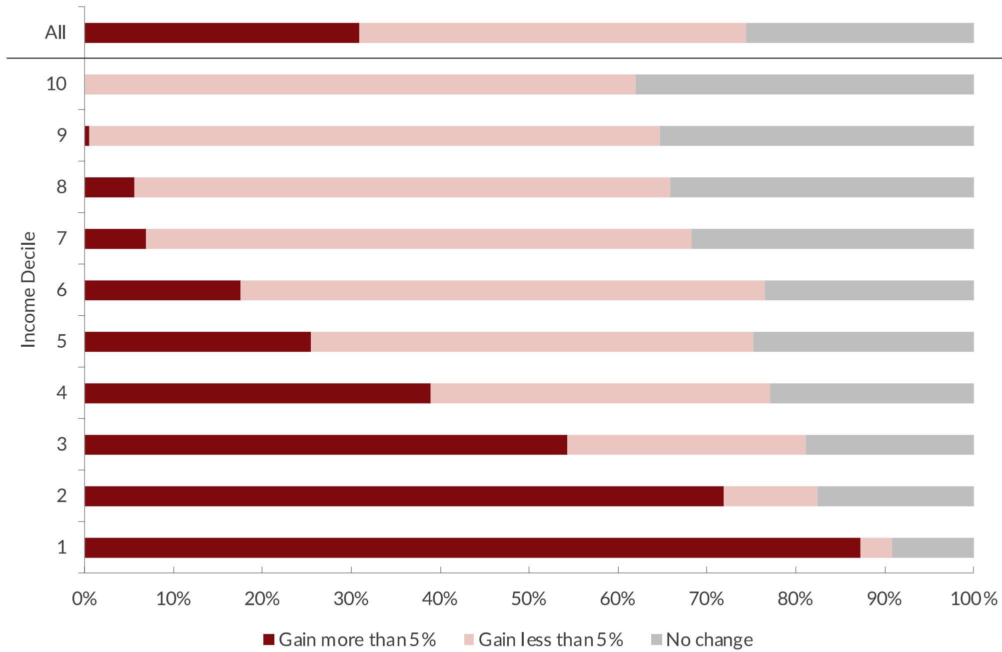


Source: OBR

The Chancellor had a choice of raising welfare levels in line with the higher September inflation figures of 6.7 per cent (as is convention) or the lower October figures of 4.6 per cent. The selection of the former will make a material difference to living standards, we estimate that the poorest households will be £220 better off per year than if the Chancellor had used the lower October figures.

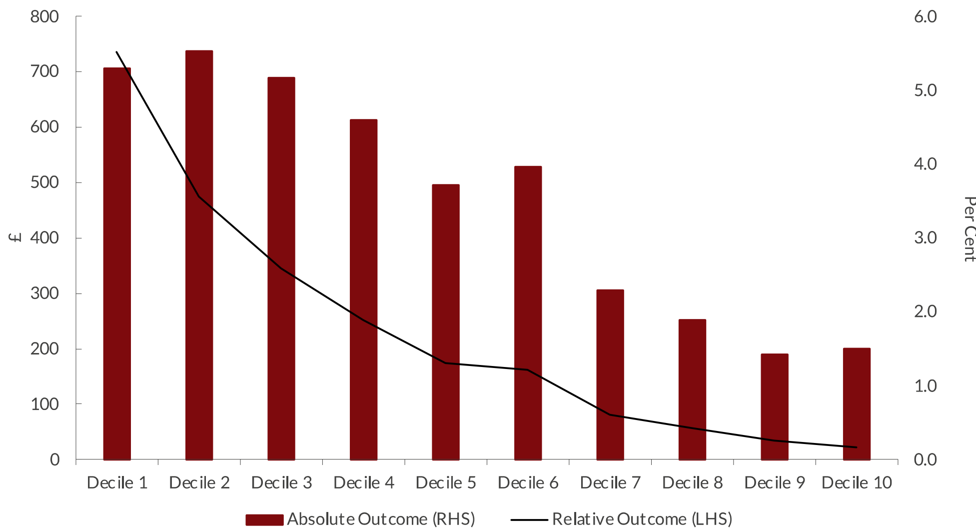
The impact of the 6.7 per cent rise is naturally progressive, benefiting lower income households who are more likely to be in receipt of welfare. Overall, around 30 per cent of households will benefit from the change by over 5 per cent of their incomes, with a further 40 per cent gaining less than this level; this means around 75 per cent of all households will be impacted by the changes in welfare.

Figure 11: Overall Outcomes by Income Decile from Changes to Welfare



Source: PolicyEngine

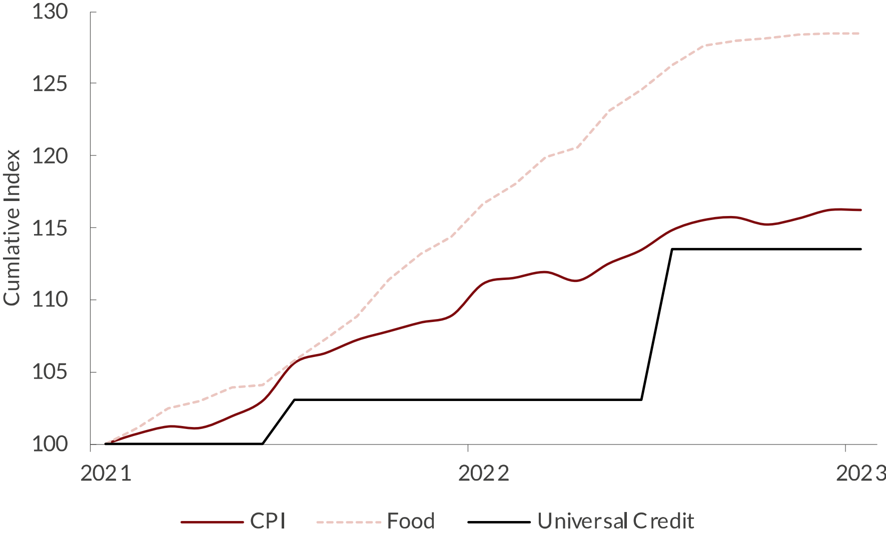
Figure 12: Financial Outcomes by Income Decile



Source: Policy Engine

Although this is welcome, the description of welfare rising with inflation does not imply that the hardship caused by higher prices of the past year is totally offset. Firstly, welfare only increases once a year whereas prices rise constantly. There is a natural lag between prices rising and welfare levels responding. The second is the rise is chosen based on the average rise in prices over the past year, not raising them to where average prices are at a given time (hence the gap between the red and black line in figure 13). For a couple on Universal Credit, they will now receive around £580 per month. To offset exactly where prices are now, we estimate that they would need to receive around £600 instead. The third issue is this does not reflect where prices will go next year. Figure 13 shows that past welfare rises have simply taken levels roughly close to where prices are at that given moment, it does not raise them based on where prices go over the next year.

Figure 13: Cumulative Change in CPI, Food Prices and Universal Credit

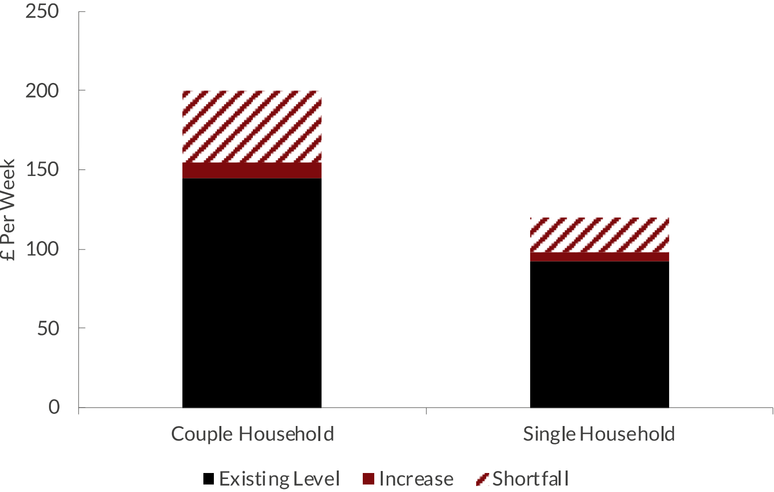


Notes: Universal Credit index based on the changes in the Standard Allowance for a couple with one recipient over the age of 25

Source: NIESR Analysis of ONS Inflation Figures

Lastly, any rises in welfare are (albeit imprecisely based on the issues outlined above) aimed at rising in-line with price growth, but this is still short of what many have considered to be a sufficient level. The JRF have estimated that a couple would need around £200 per week for a couple, based on the cost of essentials. The rises do not take welfare generosity to this level.

Figure 14: Welfare Changes Compared to the Cost of Essentials



Source: NIESR Analysis of DWP Welfare Figures and JRF 'Guarantee our Essentials'

Increase in the Minimum Wage

"Raising the National Living Wage to £11.44 an hour is good news for people on low incomes. After the decline in real wages since 2021, it is a welcome boost to living standards for those who been hit hardest by the cost-of-living crisis. Extending the £11.44 an hour wage to over 21-year-olds also represents a step in the right direction. What is necessary going forward is sustained real wage growth for people in the bottom half of the income distribution, which will require a substantial increase in both public and business investment to boost productivity."

Prof Adrian Pabst, Deputy Director (Social and Political Economy)

In the Autumn Statement,

- The Chancellor has confirmed that the National Living Wage will increase by 9.8 per cent to £11.44 an hour in April 2024. For the first time, this will also apply to over 21-year-olds.
- According to the Government, this rise will represent up to £1,800 additional income for a single worker.
- At the new rate, the claim is that the new National Living Wage level will eliminate low pay altogether.

NIESR welcomes the Government's decision to follow the recommendation by the Low Pay Commission to raise the National Living Wage to £11.44 – something that NIESR called for in our Autumn UK Economic Outlook published on 8 November.

Our work for the LPC has shown that the higher National Living Wage, which was increased in April 2023 to £10.92, is already having positive effects for working families in the bottom income decile who earn up to about £16,000 per year. We have estimated that such households would see a 5-6 per cent rise in their consumption in 2023-24, relative to the previous National Living Wage rates. This is likely because they anticipate higher incomes in the future even if their current incomes do not rise substantially, perhaps offset against lower benefits. This is not true for households in the second decile who are shielded less from the inflationary pressures as they do not receive the full cost-of-living payment worth £900 and some of the other benefits.

We also showed that there are significant effects upon labour market choices and outcomes. Specifically, for households in the second bottom decile of the income distribution, the incentives to work and their ability to move into work are both affected positively. Both the inactivity rate and the unemployment rate for these households drop by 2-3 percentage points. Note that this impact is (statistically) significant only for households in the second decile, and the aggregate impact is therefore around 0.3 percentage points in either case.

However, the benefits of the higher National Living Wage will accrue mostly to households in income deciles 1 and 2 but not to working families in deciles 3-5 who earn up to £32,000. Despite the cut to National Insurance, the failure to increase the personal allowance and income tax thresholds means that many of the households hit hardest by Covid and the inflation shock will not be better off overall.

Implications for Levelling Up

"The announcements in today's Autumn Statement suggest that the Government remains broadly committed to the Levelling Up programme. A number of decisions to extend financial incentives for free ports and investment zones and create new clusters will help generate a bit more growth, and further devolution deals are also welcome. But the problem is a lack of scale in public investment and a failure to have targeted industrial and skills policy. While certain cities and clusters will do better, Levelling Up as it stands will not reduce regional inequalities in a significant, sustained manner."

Prof Adrian Pabst, Deputy Director (Social and Political Economy)

According to the Autumn Statement, the Government will

- Drive forward Round 3 of the Levelling Up Fund and implement the new Towns Plan announced by the Prime Minister at the Conservative Party Conference in October
- Extend financial incentives for the existing 12 investment zones and for free ports, including the doubling of the flexible funding envelope from £80mn to £160mn by prolonging the programme and related tax relief from 5 to 10 years
- Create a new Investment Opportunity Fund worth £150 million over 5 years as a catalyst for business opportunities in investment zones and free ports
- Move forward with three new investment zones (one in the East Midlands, one in the West Midlands and one Greater Manchester), as well as a new investment zone in Wales (Wrexham and Flintshire), which will leverage more than 3 billion worth of private investment and 65,000 more jobs
- Implement agreements with West Midlands and Greater Manchester Combined Authorities about single funding settlements and work towards a trailblazer devolution deal with the North East.
- Commit to new devolution deals with different levels of devolved powers for Greater Lincolnshire, Hull, East Yorkshire, Cornwall and Lancashire.

While the individual announcements underscore the Government's commitment to the Levelling Up agenda, they do not add up to a coherent strategy to reduce regional inequalities or a credible long-term plan to narrow the gap between the top and the worst performing areas of the country, which is at the heart of the 12 Levelling Up missions.

The focus on cities and clusters is clear, as is the importance of agglomeration effects. But we need more evidence on the nature and evolution of inter- and intra-regional dynamics, notably the actual extent of both positive and negative spillovers from cities and technology clusters/investment zones to other parts of the country. So far, we have not had a clear assessment from Government about these linkages, including some of the adverse effects (e.g. local brain drain, higher house prices).

Specifically, some of the decisions announced in the Autumn Statement are either disjointed or fail to address both pressing problems and longer-term challenges. For example, the creation of the Towns Fund is a step in the right direction, but it needs to be joined up with other initiatives and done at scale. The acute financial constraints facing many local authorities up and down the country have not been alleviated. Long run impacts on growth and productivity and therefore sustained increases in living standards will require targeted regional, industrial and skills policy that is missing from the Autumn Statement.

Triple Lock: State Pension

"As the Chancellor confirms, the Triple Lock will be maintained in April 2024, which means that the basic and new state pension will be uprated by 8.5 per cent. This is welcomed news for all recipients of state pensions. However, substantial inequality persists across the country. We have examined the projected weekly gross pay of the 10th percentile and the average state pension in each region of the UK, and state pensioners in London remain significantly below the average gross earnings of the 10th percentile, by some 19.2 per cent. This raises questions about whether the triple lock needs to consider place to achieve its aim of allowing pensioners to maintain their living standards in the face of the spike in inflation".

Robyn Willow Smith (Assistant Economist)

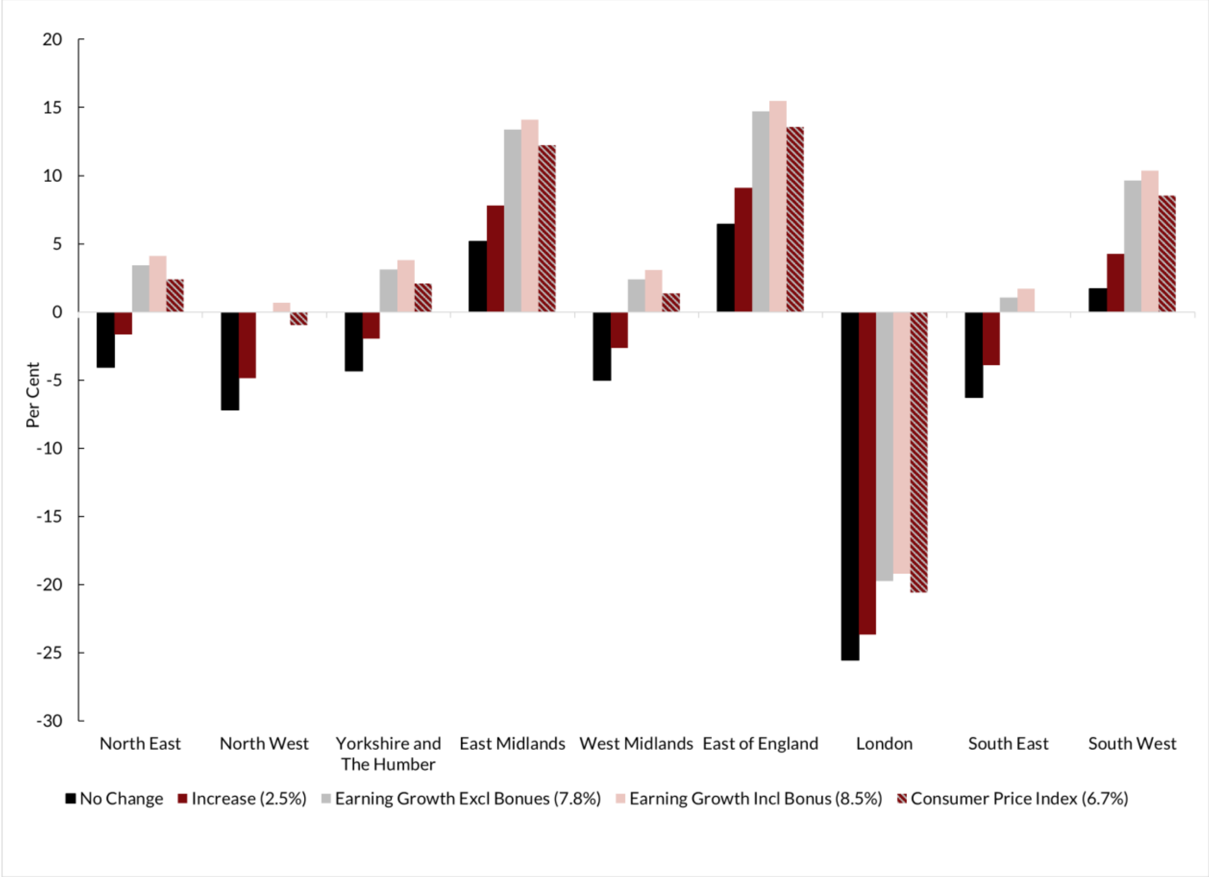
Introduced in 2010 by the Coalition Government and first implemented in April 2011, the Triple Lock guarantees state pensions will be uplifted in April 2024 by the highest of the following: the Consumer Price Index (CPI) in the previous September, the average earnings growth over the period from May to July, which was 2.5 per cent. This year, the previous September's CPI stands at 6.7 per cent and the average earnings growth stands at 8.5 per cent. In the Autumn Statement, the Chancellor confirmed that the triple lock will be maintained and that the April 2023 uplift to state pensions will be 8.5 per cent.

The triple lock includes both the basic state pension and the new state pension (introduced in April 2016) to ensure that recipients could keep up with the current living costs. The basic state pension only applies to people who reached the state pension age before 6th April 2016. The full new state pension currently stands at £203.85 per week, which will increase to £221. Subsequently the full basic State Pension will increase from £156.20 per week to £169. The state pension amount a person receives depends on their national insurance record.

Since the Triple Lock was introduced, it has been applied every tax year except for the tax year 2022-23 when it was suspended. In April 2023, it was uplifted by 10.1 per cent (the September 2022 CPI figure).

Figures 15 and 16 compare what the predicted percentage change in April 2024 between the mean gross weekly earning of the 10th percentile (the lowest income bracket and not including benefits) and the mean state pension weekly amount by region in the UK. This projection assumes that the weighting of the annual percentage change for weekly pay as of October 2023 remains fixed and follows NIESR's Autumn 2023 prediction that wages will increase by 4.3 per cent. Both figures give an idea of the distribution of the state pensioners income with respect to the 10th percentile. For example, Figure 15 shows that after the 8.5 per cent increase the average state pension is around 16 per cent greater than the earnings of the 10th percentile.

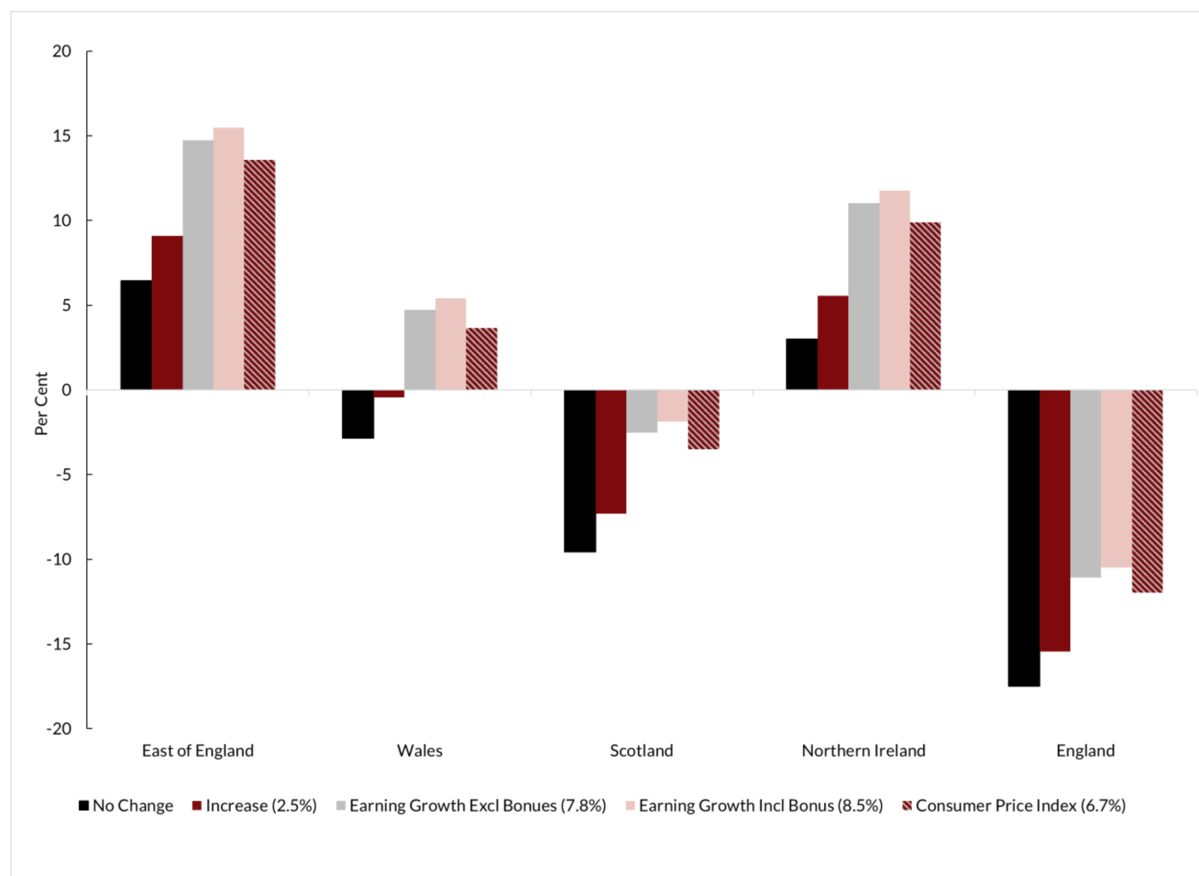
Figure 15: The Projected Percentage Change between the Gross Earnings of 10th Percentile and State Pension Amounts for the English Regions as of April 2024.



Sources: NIESR UK Outlook Autumn 2023, DWP State Pension Statistics from November 2020 to February 2023, ASHE, ONS, Department for Communities NI.

Figure 15 further shows that the 8.5 per cent increase is welcome news for all recipients of the state pension but when comparisons are made against the respective weekly gross pay of the 10th percentile in each region, there is a clear regional disparity. State pensioners in London appear to be 19.2 per cent below the earnings of the 10th percentile. This sheds light on the impact of place on pensioners maintaining their living standards. For example, the benefit cap (see Appendix) has a different amount for those living in London to those living outside London.

Figure 16: The Projected Percentage Change between the Gross Earnings of 10th Percentile and State Pension Amounts for the Devolved Nations and England as of April 2024.



Sources: NIESR UK Outlook Autumn 2023, DWP State Pension Statistics from November 2020 to February 2023, ASHE, ONS, Department for Communities NI.

Figure 16 shows that state pensioners in Scotland, like London, will be below the gross earnings of the 10th percentile. For many people who receive the state pension this is their main source of income. For regions where this income falls below the 10th percentile earnings it highlights the hardship for many. For other regions such as the Northwest and Southeast state pensioners earnings fall just above the earnings of the 10th percentile.

Like the uplift to the benefit cap, there is a 6-month lag period for state pensioner's benefit. These 6 months fall across the winter month. Although the winter fuel payment continues to remain in place, this payment is for all people born before 25th September 1957. This means that wealthy pensioners are getting the same amount as pensioners on low incomes. NIESR has argued that a more targeted approach at low-income pensioners is preferable. Other measures that are desirable include the drive to improve the uptake of Pension Credit whereby those pensioners who are eligible are automatically entitled to cold weather payments and may also receive help with NHS costs. For example, the Mayor of London’s announcements earlier this year regarding a campaign to increase the uptake of Pension Credit resulted in resulted in 2,165 successful claims from eligible Londoners where the average claim was £3,879.

Appendix I: Main Welfare Changes

		2023 Level		6.7% Rise
UC Standard Allowance				
Universal Credit couple amount (one over 25)	£	578.72	£	617.49
Universal Credit couple amount (both under 25)	£	458.51	£	489.23
Universal Credit single amount (over 25)	£	368.74	£	393.45
Universal Credit single amount (under 25)	£	292.11	£	311.68
UC Elements				
Carer	£	185.86	£	198.31
Child (first)	£	315.00	£	336.11
Child (additional)	£	269.58	£	287.64
Disabled Child	£	146.31	£	156.11
Disabled Child (severe)	£	456.89	£	487.50
Childcare maximum for one child	£	950.92	£	1,014.63
Childcare maximum for two or more children	£	1,630.15	£	1,739.37
Non-dependants' housing cost contributions	£	85.73	£	91.47
Limited Capability for Work and Work-Related Activity amount	£	390.06	£	416.19
Benefit Cap				
Benefit cap (with children, outside London)	£	486.98	£	519.61
Benefit cap (with children, in London)	£	326.29	£	348.15
Benefit cap (without children, in London)	£	423.46	£	451.83
Benefit cap (without children, outside London)	£	283.71	£	302.72
Attendance Allowance				
Lower	£	101.75	£	108.57
Higher	£	68.10	£	72.66
Carers Allowance	£	76.75	£	81.89
Housing Benefit (allowances)				
Allowance for single under 25	£	67.20	£	71.70
Allowance for single 25 or over	£	84.80	£	90.48
Allowance for single pensioner	£	217.00	£	231.54
Lone parent under 18	£	67.20	£	71.70
Lone parent 18 or over	£	84.80	£	90.48
Lone parent pensioner	£	217.00	£	231.54
Couple both under 18	£	101.50	£	108.30
Couple one or both 18 or over	£	133.30	£	142.23
Couple pensioners	£	324.70	£	346.45
Dependent children	£	77.78	£	82.99

	2023 Level	6.7% Rise
Housing Benefit (Premiums)		
Family	£ 18.53	£ 19.77
Family (lone parent rate)	£ 22.20	£ 23.69
Disabled child	£ 74.69	£ 79.69
Constant Attendance Allowance		
Exceptional rate	£ 166.20	£ 177.34
Intermediate rate	£ 124.65	£ 133.00
Normal maximum rate	£ 83.10	£ 88.67
Part-time rate	£ 41.55	£ 44.33
Attendance Allowance		
Higher rate	£ 101.75	£ 108.57
Lower rate	£ 68.10	£ 72.66