

Methodological Note: Making Work Pay Briefing 2025

Centrepont have previously released cost benefit analysis in relation to the benefit trap conducted by Oxera¹. The latest version of this analysis, using the Oxera model, looked at the impact of combining the two policies (increasing the disregard and levelling the taper rate to 55%). This means recipients' housing benefit is only tapered from the higher earnings disregard level (in addition to the applicable amount) and is only tapered at 55% at that level.

This an analysis focused on individuals aged 18 to 24, encompassing both those in employment and those currently not in employment. The second column of Table 1 outlines the two relevant populations for the analysis: those claimants currently in employment ('In employment'), and those that we project will move into employment as a result of changes to the policies ('Not in employment'). These figures are based on data from DWP's Stat-Xplore database.

Drawing on data from DWP's database - Stat-Xplore - the affected population is presented in the second column of Table 1. The figure for the number of claimants who are currently (already) in employment is taken directly from Stat-Xplore. The number of claimants incentivised into work as a result of the policy is estimated using Stat-Xplore figures for the number of claimants not in employment, and the correlation of the proportion of unemployed people to the METR they face from moving into work.¹ These people then have some of their benefits tapered, even with the lower METR they face, and so the costs they incur for the Treasury are reduced. The claimants who are already in employment see their costs to the Treasury marginally increase, as they keep more of their benefits due to the lower taper rate and higher disregard. While in reality these people may be incentivised to work more hours due to the lower taper rate, this is not included in our model, and so results may underestimate the size of the savings.

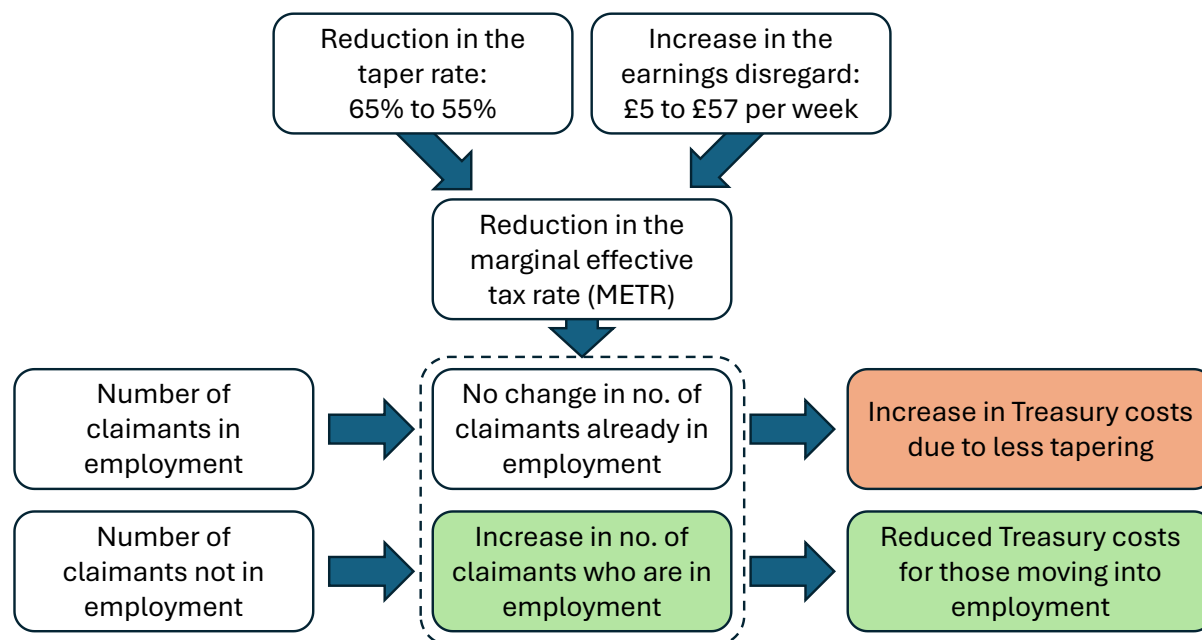
In addition to the direct fiscal savings from the policy change, the analysis incorporates findings from a number of studies, which was used in Oxera's original model to quantify the potential impact of improved mental and physical health outcomes on labour market participation, and savings from reduced costs of crime.² Some of these benefits will be directly monetised (like the reduced costs of dealing with crime and treating people with mental health conditions) while some will be qualitative (such as increases in people's quality of life from improved mental and physical health). Despite this, however, it is worth noting that the 'estimated cost/saving to the Treasury' is a modelled impact that will be monetised: these are the direct changes in costs to the welfare system as a result of the policy changes.

¹ OECD (2005), 'Increasing Financial Incentives to Work: The Role of In-work Benefits', Chapter 3, OECD Employment Outlook, OECD, [https://web-archive.oecd.org/2012-06-15/144866-36780865.pdf](https://web.archive.org/2012-06-15/144866-36780865.pdf).

² For the source of these studies, please see Oxera (2021), '[What impact does the social security system have on under 25s who are claiming Universal Credit?](#)', 18 October, pp.44-59.

Centrepont's survey

Centrepont recently conducted a snapshot survey of young people. There were 126 respondents, and 75 of those were in supported housing. 23% stated that they were concerned taking on additional hours or a job would impact their benefits and saw it as a deterrent.



Group	No. people affected	Estimated cost/saving to treasury	Change in benefits per person	Mental health and crime benefits from increased income	Total estimated mental and physical health benefits of increased employment	Net benefits
In employment						
18-20	580	-£1,234,449	£177	£52,709		-£1,181,740
21-22	464	-£1,094,205	£197	£46,721		-£1,047,484
23-24	556	-£1,311,159	£197	£55,985		-£1,255,175
Not in employment						
18-20	555	£3,240,623	£487	£107,918	£3,163,144	£6,511,685
21-22	369	£2,619,928	£592	£88,009	£2,102,429	£4,810,366
23-24	381	£2,708,061	£592	£90,970	£2,173,154	£4,972,185
Total for those currently employed	1600	-£3,639,812.80		£155,414.70	£0.00	-£3,484,398.10
Total for those currently unemployed	1304	£8,568,611.63		£286,897.31	£7,438,726.95	£16,294,235.89
Total	2904	£4,928,798.83		£442,312.01	£7,438,726.95	£12,809,837.79

Table 1: cost benefit calculations based on Oxera modelling of two proposed policy changes over a one-year period.

ⁱ Oxera report | Centrepont