Llywodraeth Cymru
Welsh Government

Analysis of the impact of the UK Government's welfare reforms on households in Wales

January 2019

Analysis of the impact of the UK Government's welfare reforms on households in Wales

Audience

This report has been produced primarily for Welsh Government policy and analytical officials.

Overview

This report includes analysis that has been undertaken by the Welsh Government to assess the impact of the UK Government's welfare reforms in Wales.

Action required

None – for information only.

Further information

Enquiries about this document should be directed to:
Prosperous Futures Division
Education and Public Services Group
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Tel: 03000 250331

e-mail: WelfareReformEnquiries@gov.wales

Additional copies

This document can be accessed from the Welsh Government's website at https://beta.gov.wales/communities-regeneration

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

 WG37285 Digital ISBN 978 1 78964 890 4

Contents

Executive Summary

The UK Government has implemented significant reforms to welfare benefits and tax credits through the Welfare Reform Act 2012 and the Welfare and Work Act 2016, with sizeable welfare cuts still to come. This report builds on earlier Welsh Government analysis on the impact of welfare reform, which has been undertaken internally and also externally commissioned[1]. It aims to bring together the latest key statistics, analysis and evidence on the impact of implemented and proposed welfare reforms on households in Wales. The report covers the main reforms announced up to the end of January 2019.

Analysis of the impact of individual welfare reforms

Child Benefit is withdrawn where someone in the household has a taxable annual income of more than £50,000

Analysis by the Institute for Fiscal Studies (IFS) shows that around 36 per cent, or 370,000, more families in the UK will lose some Child Benefit in 2019–20 than in 2013–14. This is mostly because the £50,000 threshold has not been price or earnings-indexed. They also estimate that by 2022 more than one in five families with children are set to lose at least some of their Child Benefit – an increase from one in eight when the policy was introduced[2].

Removal of the spare room subsidy (also known as the 'bedroom tax')

As at August 2018, 25,890 (12 per cent) recipients of Housing Benefit in Wales had a reduction to their weekly award amount due to this policy compared to 35,710 in May 2013. This is higher than the equivalent proportion for Great Britain (GB) (9 per cent) in August 2018. The majority (81 per cent) of affected recipients in Wales were deemed to be under-occupying their property by one room. The mean weekly spare room reduction amount in Wales in August 2018 was £15.83 compared to £15.33 in GB.

Household benefit cap

Just over 8,000 households in Wales have had their Housing Benefit capped at some point since the introduction of the benefit cap in April 2013 and August 2018. At August 2018, 2,870 households in Wales had their Housing Benefit capped. There was a decrease of 2 per cent, or 70 capped households, on the previous quarter (May 2018). This decrease is due to fewer households having their Housing Benefit capped for the first time this quarter compared to the number of households moving off the cap.

At August 2018, almost all households in Wales that had their Housing Benefit capped included children; 90 per cent had between 1 and 4 children and 10 per cent had 5 or more children. 77 per cent of households in Wales that had their Housing Benefit capped at August 2018 were single-parent families. At August 2018, 61 per cent of capped households in Wales had their Housing Benefit capped by £50 or less a week, with a further 29 per cent of households capped by £50 to £100 per week. 10 per cent of capped households had their Housing Benefit capped by more than £100 a week at August 2018, including 0.5 per cent capped by more than £150 a week.

---

[1] Analysing the impact of the UK government's welfare reforms in Wales

[2] Emmerson, C., Joyce, R., and Waters, T. (2019) Stealthy changes mean that soon one in five families with children will be losing some Child Benefit

Since October 2016, 110 households in Wales have had their Universal Credit (UC) capped. At August 2018, 70 households in Wales had their UC capped. This is a small number compared to the number of households that have had their Housing Benefit capped. However, the number of households on UC affected by the benefit cap is expected to increase as the rollout continues. All of the households in Wales that had their UC capped at August 2018 included children. At August 2018, the majority (71 per cent) of households in Wales that had their UC capped were capped by the equivalent of £50 or less a week.

The Work and Pensions Committee is undertaking an inquiry into the benefit cap. Presenting evidence to the Committee in October 2018, IFS Deputy Director Carl Emmerson referred to previous research by the Department for Work and Pensions (DWP) that the IFS peer-reviewed. This showed that the benefit cap did increase the likelihood of a household moving onto Working Tax Credit, and therefore potentially a move into paid work, and some of those who lost particularly large amounts were induced to move house. However, the large majority responded neither by moving into work nor by moving house.

Replacement of Disability Living Allowance (DLA) with Personal Independence Payment (PIP)

DWP statistics show at the end of July 2018, 138,370 people in Wales had a PIP claim in payment, an increase of 4,340 (or 3 per cent) on the previous quarterly figure (April 2018). Of these claims in payment, 81,380 were reassessment claims from DLA, which is equivalent to 59 per cent of the total PIP caseload (53 per cent in GB).

Claimants who wish to dispute a decision on their PIP claim can ask DWP to reconsider the decision in the first instance. This is called a ‘mandatory reconsideration’ and involves consideration of the grounds for the dispute and completion of a review of the initial decision. DWP statistics show by the end of July 2018, 832,000 mandatory reconsiderations had been registered in GB against normal rules claims (data at a Wales level is not published). 804,300 of these had been cleared. By the end of July 2018, 17 per cent of new claims mandatory reconsiderations and 23 per cent (excluding withdrawn) of reassessed DLA mandatory reconsiderations for normal rules resulted in a change to the award. This may include claims that were previously disallowed that are now awarded, or claims that had previously been awarded but the reconsideration has resulted in a change in the claim (e.g. revision to an assessment score) and this has affected level of the award.

If claimants are not happy with the outcome of the mandatory reconsideration, they can then lodge an appeal with Her Majesty's Courts and Tribunals Service. Over the period 2013-14 to 2017-18, a significant and increasing proportion of PIP and DLA appeals cleared at hearing were found in favour of the claimant. For example, in 2017-18, 68 per cent of PIP disposals cleared at hearing in GB were found in favour of the claimant. The equivalent figure for DLA disposals was 60 per cent.

In March 2017, the UK Government stopped people qualifying for enhanced payments within the mobility component of PIP for reasons of “psychological distress”. However, this decision led to a legal challenge from campaigners. Following a High Court ruling in December 2017 that the PIP assessments carried out to date had been ‘blatantly discriminatory’ against people with mental health impairments, the UK Government announced in January 2018 that it would reassess all PIP claims made to date. The UK Government estimates this process will result in higher awards for up to 220,000 PIP claimants, at a total cost of around £3.7 billion by 2022-23.

Initially PIP was expected to lead to a fall in caseload and spending compared to DLA. However, this fall in caseload has not materialised. While Budget 2015 forecast that the caseload for disability benefits in GB would fall by 6 per cent between 2014-15 and 2017-18, DWP's latest data and forecasts suggests that it will rise by 8 per cent over this period.

Rollout of Universal Credit (UC)

UC is now forecast to be more generous to claimants than the legacy benefit system, as outlined in the Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook 2018. This is due to a combination of forecasting changes as well as the impact of the Budget 2018. However, the overall impact on income is dependent on the extent to which take-up is increased, which is a key objective of UC. Even if UC is on average a slight giveaway relative to the legacy system as opposed to a slight takeaway, it is still a significant change with winners and losers, and needs to be viewed in the context of the significant cuts to working-age benefits introduced since 2015 and those cuts still to come.

The IFS report that around a third of working-age households will be entitled to some UC. Of those, around a third (2.4 million) will be at least £1,000 a year worse off under UC than under the legacy system while about a quarter (1.7 million) will be at least £1,000 a year better off. These are medium term effects, as it is not intended that people lose in cash terms as they move on to UC (unless they have a change in their circumstances). By family type, almost all of those in work gain or lose something (i.e. more than £100 a year). Those in work and with children are particularly likely to gain. For those out of work, very few gain by more than £100 a year, and a large proportion lose fairly substantial amounts (more than £1,000 a year).

DWP's UC Programme Full Business Case published in June 2018 estimates that there will be an increase of around 200,000 people in employment in steady state as a result of UC. This is attributed to three factors: financial work incentives; additional conditionality; and, simplicity of the system/smoother transitions into work. However, the National Audit Office (NAO) report that they, and DWP, doubt it will ever be possible to measure whether the above economic goal of UC increasing employment has been achieved. This, along with the extended timescales and the cost of running UC compared to the benefit system it replaces has led the NAO to conclude that UC is not value for money now, and that its future value for money is unproven.

Nevertheless, DWP has tried to test the impact UC is having on labour market participation by comparing UC claimants to similar Jobseeker's Allowance (JSA) claimants. Analysis of administrative data suggests UC is having a positive labour market effect on the limited group covered by the analysis (single unemployed claimants without children). DWP has supplemented this analysis with survey findings, which found some positive results in terms of the amount of hours spent searching for work for by UC respondents compared to JSA respondents.

However, other DWP survey evidence found many claimants were not completing the required job search as set out in their claimant commitment and they often found achieving the required amount of job search challenging.

DWP statistics show the number of people on UC in Wales rose to 62,380 in October 2018, which is more than double the equivalent figure for a year earlier (October 2017). The number of people on UC in Wales in October 2018 is equivalent to 5 per cent of the total in GB (1,317,320). The early rollout of UC was disproportionately focused on males, the young, and those searching for work. This reflects the limited eligibility criteria in place at that time. As the rollout has progressed and eligibility criteria widened, other demographic groups have started to make up a growing proportion of the caseload.

DWP also publish statistics on the number of households on UC. In August 2018, 47,560 households in Wales were on UC. By the time UC is fully rolled out, we estimate around 400,000 households in Wales will be on UC. In August 2018, around 12 per cent of these households were on UC.

Of the 22,630 households in Wales receiving a payment of UC with entitlement to support for housing costs in August 2018, DWP statistics show 20 per cent had their housing costs paid directly to a landlord. DWP statistics also show only 1 per cent (540) of households in Wales receiving a payment of UC in August 2018 had their payment divided over the month to be paid in two, or four, instalments, via a More Frequent Payment Alternative Payment Arrangement (APA). A negligible number of households had their UC payment divided between both members of a couple, via a Split Payment APA.

There are calls to split UC couple payments by default rather than only in exceptional cases as at present (as reflected by the negligible number of Split Payments via an APA). The UK Parliament's Work and Pensions Committee has warned that as part of their inquiry, they heard compelling evidence that single household payments of UC could put claimants living with domestic abuse at risk of harm.

DWP ad hoc statistics for GB (data is not published at a Wales level) show that the number of UC full service advances being paid increased significantly between May 2016 (1,000) and July 2017 (12,800), which is a reflection of the progress in rolling out UC.

DWP statistics show that, of the households on UC full service in GB in August 2018, 97 per cent that were paid received some payment on time, while 94 per cent of households that were paid received full payment on time. When looking at payment timeliness for new claims rather than all claims, the proportion of households receiving either full or partial payment on time is lower. DWP explain that this is due to a number of one-off verification processes that must be completed at the start of the claim to confirm the current circumstances of the claimant(s) and their entitlement to UC.

A number of issues have arisen with the rollout of UC to date. This report has focused on three key areas: the impact on rent arrears, foodbanks, and applying for UC online.

Some evidence suggests that the design of the administration of payments for UC, and particularly the housing costs element, could be creating additional rent arrears. Although DWP has published survey evidence, the NAO report states that DWP has not undertaken any national, representative analysis of whether UC is creating additional rent arrears. The Welsh Government has commissioned research to build upon the available evidence, particularly at a Wales level.

Research by the Trussell Trust has highlighted the links between UC, financial hardship and foodbank use. Using referral data for 2017-18 from Trussell Trust foodbank vouchers in the UK, the research found that on average, 12 months after UC rollout in an area, foodbanks saw a 52 per cent increase in demand compared to an increase of 13 per cent in areas that had not yet gone live with UC or had been live for 3 months or less. The research claims that their counterfactual analysis supports the view that this increase cannot be attributed to randomness in the selection of foodbanks and exists after accounting for seasonal and other variations. It is acknowledged that UC is not the only issue driving an increase in foodbank use, but the Trussell Trust regard it as a significant factor in many areas. The wait for the first payment was found to be a key cause, along with a lack of support to apply online, the inability of payments to cover the cost of living, and poor administration.

A DWP commissioned longitudinal telephone survey of UC full service claimants explored experiences of online claiming. This found that 98 per cent of respondents claimed online. Around half registered their claim online unassisted, while around a fifth completed it online but with some help. However, just under a third of those who registered their claim online found it difficult, particularly the process of verifying their identity. Overall, 43 per cent of claimants said they needed more support registering their UC claim and 31 per cent said they would need more ongoing support using their UC digital account.

In response to evidence on the impact of the early stages of the rollout of UC, the UK Government has made a number of policy changes to help support those most in need. For example, reducing the UC taper rate, making changes to advance payments, removing the seven-day waiting period, and increasing some UC work allowances. Numerous changes have also been made to the UC rollout schedule.

Freeze most working-age benefits, tax credits and Local Housing Allowances (LHA)

The actual impact of the nominal freeze depends on the path of inflation, as in the absence of the freeze, September Consumer Price Index (CPI) inflation figures would have been used to uprate benefits. These figures have been higher than originally expected in 2015 when the freeze was announced. Overall, the actual cut to benefits from the four-year freeze is over 6 per cent compared to 4.6 per cent originally forecast.

Analysis by the Resolution Foundation shows that in total, 11 million households in the UK have seen a reduction in their benefits between 2016-17 and 2019-20 as a result of the freeze. This analysis shows that poorer households see the biggest loss in cash terms and as a share of their income, and that the freeze is most acutely felt by parents. The overall impact of the four-year freeze will mean an average couple with children in the bottom half of the income distribution will be £580 poorer in 2019-20 than if inflationary uprating had occurred since 2016-17, and the average low income single parent is estimated to be £710 worse off. The overall impact of the freeze is estimated to reduce working-age household incomes by £4.4 billion in 2019-20 (much higher than the original forecast of £3.9 billion). A large part (£1.5 billion) of this total saving will come from next year's freeze alone, with low income couples with children losing £200 on average and low income single parents losing £250 on average.

Remove family element in tax credits and UC, and the family premium in Housing Benefit

This change is expected to save the UK Exchequer £2 billion a year in the long run, and affect around 4 million families[3]. The numbers affected in Wales are expected to build up to around 200,000 families in the longer term, using the 2014-15 stock of families in receipt of Child Tax Credits as a proxy for the affected population[4].

[3] Hood, A., Keiller, A.N., and Waters, T. (2017) Significant cuts to two parts of the benefit system to be phased in from next week

[4] Welsh Government estimate based on HM Revenue and Customs (HMRC) Child and Working Tax Credits Statistics Finalised Annual Awards 2014-15 – Geographical Analysis

Cut in the UC taper rate from 65 per cent to 63 per cent

This change, which is expected to increase spend by £700 million in 2020-21[5], is a relatively small income boost benefitting around three million households in GB. Resolution Foundation analysis shows the maximum gains from the reduction in the UC taper rate are around £500 a year for a family earning £30,000 a year (but less than 10 per cent of families on UC earn more than this amount)[6].

Limit child element of tax credits and UC to two children

From April 2017, support provided through the child element of Child Tax Credit has been limited to two children, which means that any subsequent children born on or after 6th April 2017 are not eligible for further support. Families still receive a child element for more than two children if their children were born before 6th April 2017. Support under UC has also been limited to two children. For those already claiming UC, there will be no increase for subsequent children born on or after 6th April 2017. New claims for UC from families who already have more than two children have been redirected to tax credits until February 2019. The policy was due to apply to anyone who made a new claim to UC from February 2019, regardless of when their children were born (unless the exemptions apply). However, the UK Government announced on 11th January that families making a new UC claim whose children were all born prior to the implementation of the policy (i.e. 6th April 2017) would be exempt from this policy (estimated by DWP to benefit 15,000 families). This addresses the issue of 'retrospection'. However, for families where the third child is born after April 2017, this change will have no effect and will not change the long-run impact of the policy, as eventually all children will be born after April 2017.

A publication by HM Revenue & Customs (HMRC) and DWP shows that, in total, around 3,000 Child Tax Credit households and UC full service households in Wales were affected by this policy on 2nd April 2018. Around 120 (4 per cent) of these households were in receipt of an exception. The remaining 2,880 households (96 per cent) were not receiving a child element or amount for at least one child in their household. Across all countries of the UK, households with a multiple birth were the most common type of exception, accounting for 93 per cent of households in Wales.

The numbers affected will increase over time as more households with two or more children claiming Child Tax Credit or UC will have a child who has been born on or after 6th April 2017.

Given the change announced in January 2019, the long run impact is not expected to be fully felt until the mid-2030s. The IFS estimate that in the long run, this policy will save the UK Exchequer around £2 billion per year (in today's terms), with 700,000 families affected in the UK (if the population is similar to now and there are no further benefit reforms). Those affected by the two-child limit would be getting an average of £3,000 per year less than they would have got otherwise. The IFS estimate that this cut will increase child poverty in the UK (based on the UK Government's official measures and after housing costs) by around 300,000, depending on precisely which measure of poverty is used. In Wales, the IFS estimate it will increase the overall absolute poverty rate (after housing costs) in Wales by 0.6 percentage points in 2019-21.

---

[5] HM Treasury (2018) Budget 2018 Universal Credit
[6] Resolution Foundation (2016) Bending the rules – Autumn Statement Response

Employment and Support Allowance (ESA)

ESA payments (and the UC Limited Capability for Work element) for those deemed able to carry out work-related activities (i.e. those in the Work-Related Activity Group (WRAG)) have been aligned with JSA and the standard rate of UC. This has applied to new claims only from 3rd April 2017. The ESA Support Group rate/UC Limited Capability for Work and Work-Related Activity rate continues to be paid to those with the most severe work-limiting health conditions and disabilities. DWP estimate 500,000 families in GB will be affected in the longer term, using the stock of WRAG claimants as a proxy for the affected population, and that the notional loss[7] for those affected will be around £28 a week, saving the UK Exchequer around £640 million a year in 2020-21. Using equivalent data for Wales, we estimate around 35,000 affected claimants will be in Wales.

In March 2018, the NAO published the findings from their investigation into a single, major cause of underpayment error in ESA, which relates to people whose existing benefit claim was converted to ESA and who were entitled to income-related ESA but were only awarded contribution-based ESA. This error led to people missing out on additional disability premium payments (e.g. enhanced disability, severe disability, carer and pensioner premiums). The NAO report that since 2011, an estimated 70,000 people who transferred to ESA from other benefits have been underpaid by DWP. We would expect around 6 per cent (around 4,000) of these people to be in Wales based on DWP data on the number of people on ESA in Wales as a proportion of those on ESA in GB as a whole between 2011-2017 (source: DWP Stat-Xplore). The NAO report that the average underpayment is estimated to be around £5,000. However, some people will be owed a lot more. DWP began contacting people and making payments from August 2017 and has committed to correcting this error and paying arrears by April 2019.

Initially, claimants were only going to be paid arrears dating as far back as 21st October 2014 (i.e. the date of a legal tribunal ruling, which DWP claimed prevented them from paying back underpayments before this date). DWP estimated there was around £100 million - £150 million of underpayments that accrued before 21st October 2014, which it would not be able to pay. Around £340 million was due to be paid to claimants for the period after 21st October 2014. However, following pressure from groups such as the Child Poverty Action Group, who took legal action, it was announced in July 2018 that underpayments from as far back as 2011 would be repaid. In total, that takes the amount that DWP expects to repay up to around £500 million.

***Increase in some UC* work allowances**

The UK Government’s Budget 2018 announced an increase in some UC work allowances (the amount families can earn before UC starts to be withdrawn) from April 2019, providing a £630 boost for some working families (those with children or disabled claimants). This offsets half of the original cut announced in the UK Government’s Summer Budget 2015. The IFS estimates this change will benefit 2.4 million families, and leaves work allowances for renters higher than they were before Summer Budget 2015, and lower for owner-occupiers (with the exception of non-disabled families without children whose work allowances are still zero).

Even though the longer-run impacts of the increase in some UC work allowances improve the distributional picture, the gains from this change are not sufficient to offset the impact of the final year of the benefit freeze for those households on the lowest incomes. The IFS

[7] A notional loss is a measure of the entitlement claimants would have been eligible for had the policy not been changed, rather than claimants losing income they had already been receiving (i.e. a cash loss).

also make the point that this is a small increase in generosity compared to the cuts to working-age benefits introduced since 2015 and it is small relative to cuts still to come.

Policy reversals

It was announced in the 2015 Summer Budget that from 1st April 2017, some 18 to 21 year olds claiming UC would not be entitled to help with housing costs. However, at the end of March 2018, the UK Government announced that it would amend the regulations so that all 18 to 21 year olds will be entitled to claim support for housing costs within UC.

The Spending Review and Autumn Statement 2015 announced an intention to cap the amount of rent that Housing Benefit will cover in the social rented sector to the relevant LHA level. This was also planned to include applying LHA rates in the supported housing sector and the establishment of a devolved fund to meet the shortfall between the LHA rates and the cost of provision. Social sector landlords were concerned that the LHA cap in the social rented sector would result in shortfalls between the rent due and claimants' entitlement to Housing Benefit, which could, in turn, result in rent arrears and impact on landlords' revenue streams. In addition, there would be an increased risk of homelessness for affected tenants. Given these concerns, in October 2017, the UK Government announced that LHA rates would not be applied to general needs social housing, nor would they be applied to supported housing. In August 2018, the UK Government also announced that Housing benefit would be kept in place for all those living in supported housing.

Cumulative impact of tax and welfare reforms

Analysis undertaken by Landman Economics and Aubergine Analysis on behalf of the Equality and Human Rights Commission (EHRC), which was published in March 2018, summarises findings on the cumulative impact of UK Government tax and welfare reforms, including at a Wales level. The report analyses tax and welfare reforms announced between May 2010 and January 2018 (and also includes the impact of the National Living Wage). Any tax and welfare changes announced since then are not taken into account. However, more recent analysis by the IFS at a UK level shows the tax and welfare changes announced in Budget 2018 make relatively little difference to household incomes, on average.

The EHRC commissioned analysis estimates that households in Wales will lose 1.5 per cent of their net income on average (or around £480 a year) from the overall package of tax, welfare and National Living Wage reforms announced since 2010. Overall, these changes are regressive, with the largest impacts being felt by people on the lowest incomes. Households with children are estimated to experience much larger losses than households without children. This is especially the case for lone parents in Wales who lose around £3,720 a year on average, and also large families. Those families with three or more children in Wales lose around £4,110 a year on average. Relative child poverty in Wales is estimated to increase substantially, with the reforms pushing an extra 50,000 children into poverty by the time they are fully implemented.

There is also a disproportionately negative impact on the incomes of several protected groups, including disabled people, certain ethnic groups, and women, and particularly negative impacts on intersectional groups who experience multiple disadvantages (for example, lone parents with disabled children).

These negative impacts are for the most part a result of changes to the benefit system, in particular the freeze in working-age benefit rates, changes to disability benefits and reductions in UC rates.

Nearly half of all households in Wales are expected to lose out from the overall package of reforms to direct taxes, transfer payments and the National Living Wage as a whole.

Earlier analysis by the Welsh Government and also research undertaken by Sheffield Hallam University shows that unsurprisingly, the South Wales Valleys, which include the areas in Wales with the highest working-age benefit claimant rates, are the areas in Wales estimated to be worst affected by the welfare changes.

Welfare cuts still to come

Many of the benefits cuts announced since 2015 are only partly implemented. Analysis by the IFS shows the benefit cuts still to come amount to around £4 billion a year.

1. Introduction

The UK Government has implemented significant reforms to welfare benefits and tax credits through the Welfare Reform Act 2012 and the Welfare and Work Act 2016, with sizeable welfare cuts still to come. The most important reform is the introduction of Universal Credit (UC), which is replacing six working-age means-tested benefits and tax credits. This represents a very significant change to the structure of the benefits system for those of working-age. Other key reforms include the introduction of Personal Independence Payment (PIP), a four year freeze on most benefits received by those of working-age, and limiting the child element of tax credits and UC to two children. These changes, along with a raft of other welfare changes, have different impacts on different people depending on their circumstances (e.g. income levels and family type) and characteristics (e.g. age and disability status).

This report builds on earlier Welsh Government analysis on the impact of welfare reform, which has been undertaken internally and also externally commissioned[8]. It aims to bring together the latest key statistics, analysis and evidence on the impact of implemented and proposed welfare reforms on households in Wales. The report covers the main reforms announced up to the end of January 2019.

The UK Government has responsibility for the policy development of welfare reform and the administration of welfare benefits. The Welsh Government does not have all of the resources available to address the full impact of these changes, however, it continues to mitigate, where possible, and has invested in additional funding, for example, to frontline advice services, the Discretionary Assistance Fund (DAF), Council Tax Reduction Scheme (CTRS), and free school meals. The findings from this report will be used to help inform Welsh Government policy development on mitigating the impact of welfare reform.

This report is structured as follows. In Section 2, the key welfare reforms are explained along with findings from analysis and evidence on their predicted and actual impact on households, with a focus on Wales. Policy amendments made by the UK Government are also outlined. In Section 3, other key policy reversals are summarised. Section 4 outlines analysis on the projected cumulative impact of UK Government tax and welfare reforms in Wales, focusing on distributional impacts by household income group, household type, and protected characteristics. Section 5 looks at the scale of the welfare cuts still to come, and Section 6 concludes.

[8] Analysing the impact of the UK government's welfare reforms in Wales

2. Analysis of the impact of individual welfare reforms

Welfare reform	Date of introduction	Outline of reform and estimated impact
1. Child Benefit is withdrawn where someone in the household has a taxable annual income of more than £50,000	January 2013	Via changes to income tax, Child Benefit (currently worth £1,079 per year for the first child and £714 for each subsequent child) is withdrawn at 1 per cent for every £100 earned over £50,000. This threshold has remained frozen in cash terms since its introduction. Analysis by the Institute for Fiscal Studies (IFS) shows that around 36 per cent, or 370,000, more families in the UK will lose some Child Benefit in 2019–20 than in 2013–14, and this is mostly because the £50,000 threshold has not been price or earnings-indexed[9]. They also estimate that by 2022 more than one in five families with children are set to lose at least some of their Child Benefit – an increase from one in eight when the policy was introduced.
2. Removal of the spare room subsidy (also known as the 'bedroom tax')	April 2013	Since April 2013, the amount of Housing Benefit/housing element of UC paid to working-age claimants living in social housing who are deemed to be under-occupying their accommodation has been limited. The number of bedrooms required is worked out so that no one has to share a bedroom unless they are: a couple; both aged under 10 years old; or, both aged under 16 years old and of the same sex. No more than two people should have to share any bedroom. An additional bedroom is allowed in certain circumstances for regular overnight carers, foster carers, and disabled children unable to share a bedroom, and people who are recently bereaved. Bedrooms used by students and members of the armed forces are not counted as 'spare' if they are away and intend to return home. Rent eligible for Housing Benefit/housing element of UC is reduced by: 14 per cent for one spare bedroom and 25 per cent for two or more spare bedrooms. As at August 2018, 25,890 or 12 per cent of recipients of Housing Benefit in Wales had a reduction in their weekly award amount due to this policy compared to 35,710 in May 2013. This is higher than the equivalent proportion for Great Britain (GB) (9 per cent)[10] in August 2018. The majority (81 per cent) of affected recipients in Wales were deemed to be under-occupying their property by one room. The mean weekly spare room reduction amount in Wales in August 2018 was £15.83 compared to £15.33 in GB. In December 2015, DWP published their final report from the evaluation of this policy[11]. Fieldwork was undertaken over the first 20 months of implementation and provides an insight into claimant responses (amongst other areas). The claimant survey found the proportion of affected claimants who had paid their entire rental shortfall rose from 41 per cent in 2013 to 50 per cent in 2014, whilst the proportion who had paid none of their shortfall fell from 20 per cent to 10 per cent. The claimant survey also found the most common reasons for ceasing to be affected were finding work/increasing earnings, a friend or relative moving in or a change in age of children meaning they were no longer considered to have a spare bedroom. The landlord survey suggests that around 45,000 affected claimants in GB had downsized within the social sector by autumn 2014, compared to around 24,000 in autumn 2013. Less than 2.2 per cent of affected claimants were estimated to have moved to the private rented sector.

[9] Emmerson, C., Joyce, R., and Waters, T. (2019) Stealthy changes mean that soon one in five families with children will be losing some Child Benefit
[10] Source: Welsh Government analysis using data from DWP Stat-Xplore
[11] Clarke, A. et al (2015) Removal of the Spare Room Subsidy evaluation: final report

Welfare reform	Date of introduction	Outline of reform and estimated impact
3. Household benefit cap	Originally introduced in April 2013, with a reduction in the benefit cap implemented between November 2016 – January 2017	Since November 2016, the household benefit cap, which applies working-age claimants, has been cut from £26,000 (£18,200 for single adults without children) to £23,000 (£15,410 for single adults without children) inside London and £20,000 (£13,400 for single adults without children) outside London. The policy aims to improve work incentives; promote greater fairness between those on out-of-work benefits and taxpayers in employment, whist providing support to the most vulnerable; and, reducing benefit expenditure. The cap applies to the combined income from benefits including: Jobseeker's Allowance (JSA), Income Support, Employment and Support Allowance (ESA) (except when the Support Component is in payment), Housing Benefit, Child Benefit, Child Tax Credit, other benefits such as Incapacity Benefit and Bereavement Allowance, and UC. Exemptions apply for in-work households, those with certain disability or incapacity benefit entitlements such as PIP, Disability Living Allowance (DLA) and those in the ESA support group, or recipients of Carer's Allowance, Guardian's Allowance and the UC carer's element. For most capped households the benefit cap is applied by reducing the amount of Housing Benefit received, so their total benefits no longer add up to more than the cap level. The benefit cap can also be applied through UC. Under UC the cap is applied to the full award not just to housing costs. ***Housing Benefit*** Just over 8,000 households in Wales have had their Housing Benefit capped at some point since the introduction of the benefit cap in April 2013 and August 2018. At August 2018, 2,870 households in Wales had their Housing Benefit capped (5% of the GB total). Of these households, the largest proportions were in Cardiff (20%), Newport (8%) and Swansea (7%). There was a decrease of 2%, or 70 households, on the previous quarter (May 2018). This decrease is due to fewer households having their Housing Benefit capped for the first time this quarter compared to the number of households moving off the cap. 270 households in Wales had their Housing Benefit capped for the first time this quarter (June 2018 to August 2018). The number of households in Wales having their Housing Benefit capped for the first time peaked in December 2016 (1,460 households), given the rollout of the lower cap levels. Although the number of households capped for the first time has dropped significantly since then, the number of households being capped for the first time has remained higher than just before the lower cap levels started to be implemented. Across Wales, 87% (2,500) of households capped at August 2018 were capped only because of the introduction of the lower cap levels.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Household benefit cap cont…		At August 2018, almost all (99.5% or 2,860) households in Wales that had their Housing Benefit capped included children; 90% (2,570) had between 1 and 4 children and 10% (290) had 5 or more children. 77% (2,200) of households in Wales that had their Housing Benefit capped at August 2018 were single-parent families. Child Benefit and Child Tax Credit are both in-scope for the Housing Benefit cap, so households in receipt of these benefits are more likely to exceed the cap limit and be capped. At August 2018, 61% (1,770) of capped households in Wales had their Housing Benefit capped by £50 or less a week, with a further 29% (830) of households capped by £50 to £100 per week. 10% (280) of capped households had their Housing Benefit capped by more than £100 a week, including 0.5% (10) capped by more than £150 a week. ***UC*** Since October 2016, 110 households in Wales (15,000 households in GB) have had their UC capped. At August 2018, 70 households in Wales (7,770 households in GB) had their UC capped. This is a small number compared to the number of households that have had their Housing Benefit capped. However, the number of households on UC affected by the benefit cap is expected to increase as the rollout continues. All of the households in Wales that had their UC capped at August 2018 included children; 43% (30) were single-parent families and 57% (40) were couples with children. At August 2018, the majority (71% or 50) of households in Wales that had their UC capped were capped by the equivalent of £50 or less a week. The UK Parliament's Work and Pensions Committee is undertaking an inquiry into the benefit cap[12]. The inquiry is seeking to establish whether the cap has incentivised behavioural change amongst claimants and secured savings for the UK Exchequer, as intended. In particular, the following questions are being considered: To what extent has claimant behaviour responded to the cap, through moving into work, moving house, etc.? What effect does the lower cap have on incentives, what are the barriers to behavioural change and how can they be overcome? Does the cap address high underlying rates of Housing Benefit and child maintenance in a fair way? Are there unintended consequences (either positive or negative) of the cap? Presenting evidence to the Committee in October 2018, IFS Deputy Director Carl Emmerson referred to previous research by the Department for Work and Pensions (DWP), which the IFS peer-reviewed. This showed that the benefit cap did increase the likelihood of a household moving onto Working Tax Credit, and therefore potentially a move into paid work. Some of those who lost particularly large amounts were induced to move house, but the large majority responded neither by moving into work nor by moving house[13].

[12] Work and Pensions Committee Benefit cap inquiry
[13] IFS Deputy Director Carl Emmerson gives evidence on the benefit cap; Emmerson, C. and Joyce, R. (2014) Coping with the cap?

Welfare reform	Date of introduction	Outline of reform and estimated impact
4. Replacement of Disability Living Allowance (DLA) with Personal Independence Payment (PIP)	June 2013 for new claimants in Wales and from October 2013 for those in receipt of DLA	PIP is the main working-age benefit paid to disabled people who may face additional costs of living, and has been gradually replacing DLA since 2013. It is not means-tested and is paid regardless of whether an individual can, or does, work. In June 2013, PIP was introduced for new claims in Wales. From October 2013, using a structured rollout to postcode areas, DLA working-age recipients have been invited to claim PIP if: DWP received information about a change in care or mobility needs which meant their claim had to be renewed; the claimant's fixed term award was due to expire; children turned 16 years old (unless they have been awarded DLA under the special rules for terminally ill people); or, the claimant chose to claim PIP instead of DLA. From July 2015, remaining DLA working-age recipients started to be invited to claim PIP. The transfer for DLA claimants to PIP was expected to be completed by mid-2019. However, this is not necessarily the final position, as DWP are continuing to review the pace of reassessments from DLA to PIP on a regular basis to get the balance right between inviting claims for PIP and ensuring the system is working effectively for new claims and award reviews. In the quarter to February 2018, there were 126,100 DLA cases in payment in Wales, which is 6 per cent of the total for GB. This is down from 244,840 in the quarter to May 2013 (i.e. before the rollout of PIP started)[14]. Between April 2013 and July 2018, in Wales, award rates (for normal claims i.e. those not processed under 'special rules for the terminally ill', and excluding withdrawn claims) for new PIP claims were 42 per cent and 72 per cent for DLA reassessment claims. 58 per cent of new PIP claims and 28 per cent of DLA reassessment claims were disallowed. Nearly all special rules (terminally ill) claimants were awarded PIP[15]. DWP statistics show at the end of July 2018, 138,370 people in Wales had a PIP claim in payment, an increase of 4,340 (or 3 per cent) on the previous quarterly figure (April 2018). Of these claims in payment, 81,380 were reassessment claims from DLA, which is equivalent to 59 per cent of the total PIP caseload (53 per cent in GB). Clearance times relate to the time taken for DWP to process and make a decision on a case. In July 2018, of those new claims cleared under normal rules, the average PIP claim, in GB[16], took: 14 weeks from the point of registration to a decision being made on the claim; and 9 weeks from the point of referral to the assessment provider to a decision being made on the claim. This is a significant reduction from the peak in July 2014 (42

[14] Source: Welsh Government analysis using data from DWP's Stat-Xplore tool
[15] Source: Welsh Government analysis using data from DWP's Stat-Xplore tool. The award rate includes all types of clearances, including disallowances, both pre-referral and post-referral to an Assessment Provider.
[16] Data not available for Wales.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Replacement of DLA with PIP cont...		and 35 weeks respectively). Although clearance times from the point of referral to the assessment provider to a decision being made have recently increased from 6 weeks in April 2018 to 9 weeks in July 2018, they are still 2 weeks lower than this time last year[17]. Although a new claim for PIP can only be made by those aged 16 to 64, there will be some claimants aged 65 and over as those claimants of working-age can remain on PIP when they turn 65. At July 2018, of the PIP claims in payment in Wales, around 117,060 (85 per cent) were claimants of working-age. The remaining 21,300 (15 per cent) claimants were aged 65 or over. For normal rules claims in Wales in July 2018 (i.e. 99% of all claims in payment), DWP data shows[18]: • 22% received Daily Living Award only, 3% received Mobility Award only, and 75% received both. • 67% received at least one component at the enhanced rate, with 31% of these receiving the highest level of awards ('enhanced/enhanced' rates) for both Mobility and Daily Living components. • 23% have been in payment for less than one year. Claimants who wish to dispute a decision on their PIP claim can ask DWP to reconsider the decision in the first instance. This is called a 'mandatory reconsideration' and involves consideration of the grounds for the dispute and completion of a review of the initial decision. DWP statistics shows by the end of July 2018, 832,000 mandatory reconsiderations had been registered in GB against normal rules claims. In total, 804,300 mandatory reconsiderations for normal rules claims had been cleared by the end of July 2018. By the end of July 2018, 17% of new claims mandatory reconsiderations and 23% (excluding withdrawn) of reassessed DLA mandatory reconsiderations for normal rules resulted in a change to the award[19]. This may include claims that were previously disallowed that are now awarded, or claims that had previously been awarded but the reconsideration has resulted in a change in the claim (e.g. revision to an assessment score) and this has affected level of the award. If claimants are not happy with the outcome of the mandatory reconsideration, they can then lodge an appeal with Her Majesty's Courts and Tribunals Service. Table 1 shows that a significant and increasing proportion of PIP and DLA appeals cleared at hearing were found in favour of the claimant over the period 2013-14 to 2017-18.

[17] DWP (2018) Personal Independence Payment – Official Statistics Data to July 2018
[18] Source: Welsh Government analysis using data from DWP's Stat-Xplore tool
[19] DWP (2018) Personal Independence Payment – Official Statistics Data to July 2018. Figures are not available for Wales.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Replacement of DLA with PIP cont...		**Table 1: Number of PIP and DLA disposals cleared at hearing and proportion found in favour of claimant, GB**

	2013-14	2014-15	2015-16	2016-17	2017-18
Number of PIP disposals cleared at hearing	81	7,147	49,742	70,329	83,886
Decision in favour of claimant	26%	50%	61%	65%	68%
Number of DLA disposals cleared at hearing	58,348	13,944	7,346	6,550	6,635
Decision in favour of claimant	42%	49%	56%	58%	60%

Source: Ministry of Justice (2018) Official Statistics - Tribunals and gender recognition certificate statistics quarterly: April to June 2018 Main tables

In March 2017, the UK Government stopped people qualifying for enhanced payments within the mobility component of PIP for reasons of "psychological distress". However, this decision led to a legal challenge from campaigners. Following a High Court ruling in December 2017 that the PIP assessments carried out to date had been 'blatantly discriminatory' against people with mental health impairments[20], the UK Government announced in January 2018 that it would reassess all PIP claims made to date (around 1.6 million). The UK Government estimates this process will result in higher awards for up to 220,000 PIP claimants, at a total cost of around £3.7 billion by 2022-23[21].

Initially PIP was expected to lead to a fall in caseload and spending compared to DLA. However, as noted by the IFS[22], this fall in caseload has not materialised. While Budget 2015 forecast that the caseload for disability benefits in GB would fall by 6 per cent between 2014-15 and 2017–18, DWP data and forecasts suggests that it will rise by 8 per cent over this period[23]. This, along with a higher number of individuals receiving the enhanced PIP rates than originally expected, means that spending on disability benefits continues to grow strongly in real terms, contrary to previous forecasts. For example, DLA and PIP expenditure in GB increased

[20] England and Wales High Court (2017) Transcript between Resolution Foundation v Secretary for State for Work and Pensions
[21] House of Commons Library (2017) Changes to the Personal Independence Payment eligibility criteria; UK Parliament (2018) PIP Back Payments
[22] Emmerson, C. and Sturrock, D. (2017) Disability benefit spending and the recent change to regulations
[23] Includes the caseload for DLA and PIP. Source: DWP (2018) Benefit expenditure and caseload tables 2018 Outturn and forecast: Spring Statement 2018

Welfare reform	Date of introduction	Outline of reform and estimated impact
Replacement of DLA with PIP cont...		from £16.3 billion in 2014-15 to £18.3 billion in 2017-18. The equivalent figures for Wales are £1.2 billion in 2014-15, increasing to £1.3 billion in 2017-18[24]. Furthermore, the OBR forecast expenditure on DLA and PIP in GB to increase from £18.7 billion in 2018-19 to £23.6 billion in 2023-24[25] (forecasts are not available at a Wales level). DWP commissioned Ipsos MORI to undertake three waves of research during 2016 and 2017 to explore PIP claimants' experiences of the whole PIP claims process, from the decision to apply for PIP to the outcome of the appeal (if applicable). Each wave involved a survey and qualitative interviews to explore one stage of the process[26]. As concluded by Ipsos Mori, the research showed that:[27] • The PIP claims process works well overall: at each stage the majority of claimants understood the process and found it as easy as they expected or easier. Reported understanding of each element of the process and the steps that needed to be taken was good. However, understanding of later stages of the process which the claimant had not yet reached was less good. • Although the survey demonstrates that a majority of claimants were positive about each element of the claims process, there was a significant minority who were not positive. The qualitative research suggested that there was a subset of claimants who found the process difficult to navigate, suggesting that some claimants (particularly more vulnerable claimants) need more support throughout the process. • Access to help and support during the claims process was very important to claimants, in particular for two stages: to complete the 'How your disability affects you' questionnaire and to navigate the mandatory reconsideration and appeals process. The majority of claimants also had support at their face-to-face assessment and, for those reaching this stage, at the appeal tribunal, mainly for reasons related to their health condition or for moral support. Those who did not access support were sometimes less likely to dispute their decision because they did not feel confident going to appeal unsupported or because they felt it would be too stressful.

[24] Real terms (2018-19 prices). Source: DWP (2018) Benefit expenditure and caseload tables 2018 Benefit expenditure by country and region 1996/97 to 2017/18

[25] Source: OBR (2018) Economic and fiscal outlook October 2018

[26] At wave one, 1,106 survey interviews and 50 qualitative interviews focused mainly on the initial phone call and completing the 'How your disability affects you' questionnaire. At wave two, 1,203 survey interviews and 50 qualitative interviews explored claimant experiences of the assessment and decision stages. During wave three, 1,205 survey interviews and 50 qualitative interviews focused on the mandatory reconsideration and appeals processes. At waves two and three, some of the survey participants were newly sampled and some were claimants who had taken part in a previous wave.

[27] Barry, J. et al (2018) Personal Independence Payment Claimant Research – Final Report

Welfare reform	Date of introduction	Outline of reform and estimated impact
Replacement of DLA with PIP cont...		• The majority of those who used DWP sources of help (e.g. telephone helpline) at various stages found that they were useful sources of information and advice. However, they were not always used as much as they could be, for a range of reasons: not knowing how to use the internet or not having access to it; poor literacy skills/low concentration or memory problems which impacted on claimants' ability to read and understand the written information provided by DWP; claimants needing much more face-to-face support, or someone who could call the helpline, access the website, or write letters on their behalf; not trusting DWP to provide impartial advice, or a preference for other sources of information and guidance perceived to be more independent; and, not knowing that these resources existed. • In addition, few claimants actively contacted DWP, and where they did this it tended to be with more transactional questions about the process and what they needed to do, rather than for general advice and support. Instead, claimants sought information and advice from elsewhere, particularly friends and family, charities and health professionals. • This research showed that throughout the claims process, claimants varied in their provision of evidence to support their claim. During the initial application, a small group did not provide any evidence to support their claim and there were others who said there was evidence they wanted to submit but could not. During the assessment, mandatory reconsideration and appeals stages, many claimants did provide evidence but this was sometimes the same evidence already provided rather than new evidence, and there were some who continued to provide no evidence. Barriers to the provision of evidence included not realising it would be helpful, not having it in time, and not wanting or being able to pay for it. In addition, some claimants were under the impression that DWP would obtain evidence from their GP/other medical professionals, or that the assessment process would involve a medical examination, so they did not understand the importance of submitting evidence themselves. • Most found the face-to-face assessment time convenient and the venue accessible, but a smaller proportion (though still a majority) felt the assessment was easy to get to. Once in the assessment, although the majority reported that they felt listened to and that they were able to explain how their condition affects them, a minority had concerns about the assessor's manner. This was related to being more likely to request a mandatory reconsideration.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Replacement of DLA with PIP cont...		• There were clear relationships between the award received (initially or after a mandatory reconsideration or appeal) and claimants' views of each stage of the process. Those who did not receive an award tended to have more negative views of the assessment, mandatory reconsideration and appeals processes than those who had received an award. This could be because those who were not able to explain themselves were less likely to be successful, or it could be because discontent about the outcome affected their perceptions of the process when asked about it subsequently. • Although most claimants agreed that they understood the decision letter, when they were asked about the specifics, there was evidence that not everyone fully understood their award. Those who had not received an award were particularly likely to feel that they did not understand specific aspects of the information in the decision letter, which may have affected their subsequent decisions to request a mandatory reconsideration and appeal. There was also incomplete understanding of the mandatory reconsideration notice and appeals decisions for some claimants, as well as a feeling, particularly after a mandatory reconsideration, that all the available evidence had not been taken into account in reaching the decision. • Of those awarded PIP, the most common use for the money was reported to be meeting the costs of living and improving quality of life, with some reporting that it would increase their independence or allow them to live more independently. A report published by the UK Parliament's Work and Pensions Committee[28], which considered thousands of individual claimants' experiences of the PIP and ESA claims process (from application form to final appeal), found that public contract failures have led to a loss of trust that risks undermining the operation of these benefits. The report notes that this has translated into untenable human costs to claimants and financial costs to the public purse. Central to this lack of trust is concern about the ability of the contractors to conduct accurate assessments, which was found to be a recurrent, core theme. The report states that the definition of an "acceptable" report leaves ample room for reports riddled with errors and omissions, but despite this low bar, all three contractors failed to meet their key target (i.e. to have less than 3 per cent of reports regarded as "unacceptable") in any single period. The report shows that 56 per cent of Capita's reports were deemed to be of unacceptable quality in recent months. Although the contracts aimed to introduce "efficient, consistent and objective tests" to assess benefit eligibility, the Committee reports that it is hard to see how any of these aims have been met.

[28] House of Commons Work and Pensions Committee (2018) PIP and ESA assessments

Welfare reform	Date of introduction	Outline of reform and estimated impact
5. Rollout of Universal Credit (UC)	From April 2014 The next phase of the UC rollout is planned to be a pilot of managed migration. Once 10,000 claimants have been moved onto UC as part of managed migration, no further migration notices will be issued. The UK Government will report on the findings from the pilot before bringing forward legislation to extend managed migration. The pilot will begin from July 2019 and DWP currently expect UC to be fully rolled out by December 2023. However, the Office for Budget Responsibility (OBR) expects a later completion date of mid-2024.	UC is a single monthly payment for people in- or out-of-work. It is replacing six means-tested benefits and tax credits: income-based JSA, Housing Benefit, Working Tax Credit, Child Tax Credit, income-related ESA and Income Support. ***Expenditure compared to the legacy system*** UC is now forecast to be more generous to claimants than the legacy benefit system, as outlined in the OBR's Economic and Fiscal Outlook 2018[29]. This is due to a combination of forecasting changes as well as the impact of the Budget 2018. However, the overall impact on income is dependent on the extent to which take-up is increased, which is a key objective of UC. As outlined by the Resolution Foundation, if the full take-up gain assumed by the OBR is achieved, the new system would be £1.6 billion more generous than the legacy system it is replacing would have been by 2023-24, with gains for 700,000 families, and the potential to reduce poverty. However, if this increase in take-up isn't forthcoming, UC will be £1.5 billion less generous than the legacy system[30]. Even if UC is on average a slight giveaway relative to the legacy system as opposed to a slight takeaway, it is still a significant change with winners and losers, and needs to be viewed in the context of the significant cuts to working-age benefits introduced since 2015 and those cuts still to come. ***Winners and losers of UC*** The IFS report that around a third of working-age households will be entitled to some UC. Of those, around a third (2.4 million) will be at least £1,000 a year worse off under UC than under the legacy system while about a quarter (1.7 million) will be at least £1,000 a year better off. These are medium term effects, as it is not intended that people (who do not have a change in their circumstances) lose in cash terms as they move on to UC. By family type, almost all of those in work gain or lose something (i.e. more than £100 a year). Those in work and with children are particularly likely to gain. For those out of work, very few gain by more than £100 a year, and a large proportion lose fairly substantial amounts (more than £1,000 a year)[31]. ***Impact on work incentives and employment*** DWP's UC Programme Full Business Case, which was published in June 2018, estimates that there will be an increase of around 200,000 people in employment in steady state as a result of UC[32]. This is attributed to three factors: financial work incentives (increasing employment 110,000 people); additional conditionality (increasing employment by 30,000 people); and, simplicity of the system/smoother transitions into work

[29] OBR (2018) Economic and fiscal outlook October 2018
[30] Resolution Foundation (2018) Back in credit? Universal Credit after Budget 2018
[31] Johnson, P. (2018) Autumn Budget 2018: IFS analysis Paul Johnson's Opening Remarks; Waters, T. (2018) Personal tax and benefit measures.
[32] DWP (2018) Universal Credit programme full Business Case summary

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		(increasing employment by 60,000). However, the National Audit Office (NAO) report that they, and DWP, doubt it will ever be possible to measure whether the above economic goal of UC increasing employment by getting an additional 200,000 people into work has been achieved. This, along with the extended timescales and the cost of running UC compared to the benefit system it replaces (e.g. running costs of £699 per claim as at March 2018 compared to an ambitious £173 per claim by 2024-25) has led the NAO to conclude that UC is not value for money now, and that its future value for money is unproven[33]. In November 2018, the Resolution Foundation published updated analysis of the impact of UC on financial work incentives given the changes announced in Budget 2018[34]. The key findings include: • The increase in some UC work allowances announced at Budget 2018 is estimated to increase the number of working families gaining from the switch to UC by 200,000, up from 2.2 million families to 2.4 million families. Among working families with children, the number (1.5 million) estimated to be better off under UC now matches the number (1.5 million) estimated to be worse off. • Compared to the pre-Summer Budget 2015 UC system, the recent work allowance and taper changes have restored or improved incentives to enter work at low earnings for renting single parents and the first earner in renting couples with children; and reduced incentives to enter work at low earnings for home-owning parents who are either single or first earners in couples, and non-parents without disabilities. • Single parents and second earners in couples with children (who are both very likely to be women) are most responsive to work incentives. There is a concern that UC continues to incentivise single parents (particularly renters) to reduce working hours below the 16 hours backstop present in the tax credits system. In addition, it still fails to sufficiently incentivise work for second-earner parents. UC removes the very highest rates at which benefits are withdrawn in the legacy system, which can leave people with less than 10p for each additional £1 earned. However, as taxpayers on UC keep just 25p of each additional £1 earned (even less when paying for childcare costs), some challenges remain. ***Rollout of UC*** (see **Annex 1** for further detail). Prior to the 5th April 2017, UC was available to new single jobseekers across the whole of Wales and to couples and families in Shotton, Flintshire[35]. Transition to the 'full UC service' (i.e. new claims from all types of claimants) in Wales took place in stages from April 2017 – December 2018.

[33] National Audit Office (2018) Rolling out Universal Credit
[34] Resolution Foundation (2018) Back in credit? Universal Credit after Budget 2018
[35] The UC rollout in Wales commenced on 7th April 2014 with new claims from a limited group of single jobseekers without children in Shotton. From July 2014, Shotton started to take new claims from couples without children. UC was made available to families in Shotton from January 2015. From February 2015 to March 2016, UC was expanded to the remaining areas across Wales – just for new claims from single people, who would otherwise have been eligible for JSA, including those with existing Housing Benefit and Working Tax Credit claims.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		The transition started on the 5th April 2017 in Flintshire County Council. Other local authorities gradually followed and all were on the full service by the end of December 2018. Once rolled out to the full service, claims are accepted from those on legacy benefits who have had a change in their circumstances. In terms of all remaining legacy benefit claimants (i.e. those who do not have a change in their circumstances), DWP is planning to pilot the Managed Migration policies and regulations with small numbers of claimants between July 2019 and November 2020 to ensure they take the necessary time to get this phase right. It has not been decided as yet which claimants will be focused on during this time. Full rollout of managed migration is planned to run from November 2020 and complete in December 2023. However, the OBR expects a later UC rollout completion date of mid-2024. This compares to an original rollout completion date of October 2017. While earlier delays were due to operational delivery issues, more recent delays have been largely attributed to changes in the design of policy. The chart in **Annex 2** illustrates the numerous delays.

Caseload statistics

DWP statistics in table 2 show the number of people on UC in Wales rose to 62,380 in October 2018, which is more than double the equivalent figure for a year earlier (October 2017). The number of people on UC in Wales in October 2018 is equivalent to 5% of the total in GB (1,317,320).

Table 2: Number of people on UC, October 2014 – October 2018

	October 2014	October 2015	October 2016	October 2017	October 2018
GB	16,600	133,510	399,130	634,870	1,317,320
Wales	250	5,270	19,570	25,020	62,380

Source: DWP Stat-Xplore. Figures are rounded to the nearest 10.

Table 3 shows that the early rollout of UC was disproportionately focused on males, the young, and those searching for work. This reflects the limited eligibility criteria in place at that time. As the rollout has progressed and eligibility criteria widened, other demographic groups have started to make up a growing proportion of the caseload.

Table 3: Characteristics of people on UC, Wales, October 2014 – October 2018

	% of number of people on UC in Wales				
	October 2014	October 2015	October 2016	October 2017	October 2018
Under 30 years old	78	74	68	61	42
Male	65	67	68	63	49
Searching for work	..	77	65	60	45

Source: DWP Stat-Xplore. Notes: Given the low number of people on UC in Wales in October 2014, the split by each conditionality group (including searching for work) was negligible/could not be disclosed.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		Of the total number of people on UC in Wales in October 2018, the largest proportions were in Cardiff (15 per cent), Swansea (14 per cent), Newport (10 per cent), Flintshire (9 per cent), Neath Port Talbot (9 per cent), and Wrexham (8 per cent). DWP also publish statistics for the number of households on UC. In August 2018, 47,560 households in Wales were on UC, which is around 5 per cent of the 1 million households on UC in GB. Of these households, 39,530 (83 per cent) were receiving a UC payment. There are a number of reasons why a household may not be in receipt of a payment, for example, when someone moves into work, their level of earnings may mean that they no longer receive a UC payment. As UC is responsive to changing circumstances, and provides support to people both in- and out-of- work, UC payments can be restarted up to six months after a household's last payment. By the time UC is fully rolled out, we estimate around 400,000 households in Wales will be on UC[36]. In August 2018, around 12 per cent of these households were on UC. At full rollout, around 7 million households are expected to be on UC in the UK as a whole (equivalent to 1 in 3 working-age families) and it is expected to cost around £60 billion per year[37]. Table 4 shows over half (57 per cent) of households on UC in Wales who were in receipt of a payment in August 2018 were receiving housing entitlement. Much lower proportions were receiving other entitlements such as the disabled child and childcare entitlements.

Table 4: Number of households in Wales on UC in receipt of a payment, by entitlement, August 2018

Carer	Child	Childcare	Disabled child	Housing	Limited capability for work
2,590	13,230	600	790	22,630	3,410

Source: DWP Stat-Xplore. Notes: Some households may be in receipt on more than one entitlement (e.g. housing and child entitlements).

Average UC awards

DWP statistics show that in August 2018, the average amount of UC paid to households in Wales was £594 per month (£652 in GB), and 63 per cent of UC awards were paid to single people without children, whilst only 3 per cent of awards were paid to couples without children. Over time, an increasing proportion of UC awards have been paid to households with children. In August 2017, 8 per cent of awards in Wales were paid to households with children. By August 2018, this had increased to 33 per cent. This is explained by the continuing rollout of UC to a broader range of claimant groups, and fewer Jobcentre Plus offices only accepting claims from single people without children.

[36] Welsh Government estimate based on DWP working-age benefits data and HM Revenue and Customs (HMRC) tax credit data. This estimate also aligns with that produced by Citizens Advice
[37] Waters, T. (2018) Personal tax and benefit measures

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		***Alternative Payment Arrangements (APA)*** APAs are set up by DWP if a claimant is in arrears for two months or more, or if the claimant has continually underpaid their rent and has accrued arrears of an amount equal to, or more than, one month's rent. Of the 22,630 households in Wales receiving a payment of UC with entitlement to support for housing costs in August 2018, DWP statistics show 20% (4,610) had their housing costs paid directly to a landlord (via an APA)[38]. Similarly, a survey of full service UC claimants in GB commissioned by DWP shows that among those receiving UC payments towards their housing costs, one fifth of claimants (22 per cent) had an APA put in place[39]. Those with an annual household income of less than £10,000 were more likely to have an APA in place. Nearly half (48 per cent) of those with an APA in place said they requested this themselves, with women more likely to say they had requested an APA (56 per cent of women compared with 33 per cent of men). Just over a third (37 per cent) said it was their landlord who suggested an APA, while a further eight per cent said it was their Work Coach who suggested this arrangement. DWP statistics show only 1 per cent (540) of households in Wales receiving a payment of UC in August 2018 had their payment divided over the month to be paid in two, or four, instalments, via a More Frequent Payment APA. A negligible number of households had their UC payment divided between both members of a couple, via a Split Payment APA[40]. There are calls to split UC couple payments by default rather than only in exceptional cases as at present (as reflected by the negligible number of Split Payments via an APA). The UK Parliament's Work and Pensions Committee has also warned that as part of their inquiry, they heard compelling evidence that single household payments of UC could put claimants living with domestic abuse at risk of harm[41]. They report that under UC, claimants living with domestic abuse could see their entire monthly income paid into their abusive partner's bank account. This may include money meant for their children. There is a risk that this money will not reach them meaning they could be reliant on their abusive partner for all of their basic needs, which in turn would make it harder for them to leave. They also make the point that UC is intended to mirror the world of work, however, neither male nor female employees are obliged to have their wages paid into the bank account of their partner, and therefore DWP must do more to ensure that UC payments are received fairly by everyone in the claimant household.

[38] Source: Welsh Government analysis of data from DWP's Stat-Xplore tool.
[39] IFF Research (2018) Universal Credit Full Service Survey These findings relate to the wave 2 survey undertaken eight to nine months after the beginning of their claim. Fieldwork took place in August and September 2017. Wave 2 of the survey involved interviews with 1,004 claimants.
[40] Source: Welsh Government analysis of data from DWP's Stat-Xplore tool.
[41] House of Commons Work and Pensions Select Committee (2018) Universal Credit and domestic abuse

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		***Advance payments*** UC advance payments are interest free advances of benefit payments for those needing financial help during the transition to UC or whilst in receipt of UC. Claimants will need to satisfy the eligibility criteria for advance payments and they will be repaid over an agreed period of time. DWP offer four types of UC advance payments[42]: a) 'New claim advance': aimed at new claimants who are in financial need – to provide support until they receive their first regular payment of UC. b) 'Benefit transfer advance': aimed at new claimants to UC who are migrating from existing benefits to UC. For this advance type, the claimant is not required to demonstrate financial need. c) 'Change of circumstance advance': aimed at providing support to existing UC claimants who experience a change of circumstance that results in a significant increase in benefit entitlement, who are in financial need and cannot wait until the end of an assessment period to receive the increase (e.g. following the birth of a child). d) 'Budgeting advance': aimed at existing claimants who need help with intermittent expenses (e.g. buying essential items like furniture or household equipment) or expenses to help them start or maintain work (e.g. up front childcare costs). Claimants must have been in receipt of UC or a relevant existing benefit for a continuous period of 6 months, not have earnings above a prescribed threshold over the preceding 6 Assessment Periods, and not have an outstanding budgeting advance. If the Budgeting Advance is required in order to help obtain or maintain employment, the 6 month qualifying criteria is waived. DWP ad hoc statistics for GB (data is not published at a Wales level) show that the number of UC full service advances being paid increased significantly between May 2016 (1,000) and July 2017 (12,800), which is a reflection of the progress in rolling out UC[43]. The mean amount paid as an advance to UC full service claims in July 2017 was £318. Of the UC full service advances in July 2017: • 65 per cent were new claim advances • 25 per cent were budgeting advances • Change of circumstance advances and benefit transfer advances are less frequently paid (5 per cent and 4 per cent respectively). 75 per cent (9,700) of UC full service advances paid in July 2017 were paid to new claims, with around half of new claims to UC full service in July 2017 receiving an advance.

[42] DWP (2017) Universal Credit Statistical Ad Hoc: Payment Advances
[43] Ibid

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		***Payment timeliness*** DWP statistics[44] show of the households on UC full service in GB in August 2018, 97 per cent that were paid received some payment on time (up from 95 per cent in August 2017), while 94 per cent of households that were paid received full payment on time (up from 85 per cent in August 2017). When looking at payment timeliness for new claims rather than all claims, the proportion of households receiving either full or partial payment on time is lower. DWP state this is due to a number of one-off verification processes that must be completed by the claimant and by DWP at the start of the claim to confirm the current circumstances of the claimant (or both claimants in a joint claim) and their entitlement to UC. One example of a verification process is checking a claimant's identity, which may require attendance at an appointment in the Job Centre. A claimant may only receive some of their UC payment on time as verification processes may not yet have been completed for a particular element of a claim (e.g. housing element), which may mean that the basic payment is paid first followed by a payment of other elements once entitlement has been confirmed. DWP statistics show of the households with new claims to UC full service in GB in August 2018, 89 per cent that were paid received some payment on time (up from 86 per cent in August 2017), while 84 per cent of households that have been paid received full payment on time (up from 74 per cent in August 2017). Other DWP statistics provide information on the length of payment delays for new claims to UC that are paid late (i.e. more than 7 days after the first Assessment Period ends)[45]. The statistics relate to new claims in GB that were due a first payment in February 2018. This data shows: *Full payment on time* • 83 per cent of new claims to UC full service received full payment on time (similar to the August 2018 figures above). • 94 per cent of new claims received full payment within 4 weeks of the payment due date. • 97 per cent of new claims received full payment within 8 weeks of the payment due date. *Some payment on time* • 90 per cent of new claims to UC full service received some payment on time (similar to the August 2018 figures above). • 99 per cent of new claims received some payment within 4 weeks of the payment due date. • 99 per cent of new claims received some payment within 8 weeks of the payment due date.

[44] DWP (2018) Universal Credit Statistics
[45] DWP (2018) Universal Credit Statistical Ad Hoc: Length of Payment Delays for New Claims to Universal Credit

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		***Evidence on the impact of the rollout of UC to date*** ***Impact on rent arrears*** Some evidence suggests that the design of the administration of payments for UC, and particularly the housing costs element, could be creating additional rent arrears. For example, a NAO publication titled *'Rolling out Universal Credit'*[46] reports that local authorities, housing associations and landlords have seen an increase in rent arrears since the introduction of UC full service. This is being attributed to some of the design features of the payment of UC, such as the initial wait for the first UC payment, rent being paid directly to the claimant (rather than the landlord), and claimants moving from weekly or four-weekly benefit payments to a monthly payment. Community Housing Cymru, the membership body for housing associations in Wales, has also reported that housing association tenants on UC in Wales are already in over £1 million of rent arrears debt, according to their survey of a sample of 29 housing associations in Wales[47]. Their survey conducted with 3,475 people living in housing association homes in Wales shows each person is in an average of £420 worth of rent arrears. Similar surveys were undertaken by the Scottish Federation of Housing Associations, England's National Housing Federation, and the Northern Ireland Federation of Housing Associations. While tenants may have existing rent arrears before moving on to UC, the survey of 65 housing associations in England found that tenants on UC are more than twice as likely to be in rent arrears compared to all other tenants, with nearly three quarters (73 per cent) of surveyed UC tenants in rent arrears, compared to less than a third (29 per cent) of all other surveyed tenants[48]. Research by Citizens Advice also found that people in receipt of UC were more likely to have priority debts (including rent arrears and council tax arrears) than those on legacy benefits[49]. Bron Afon Housing Association has also reported concerns about the impact of UC on rent arrears in Torfaen[50]. In early January 2018, around 525 people were thought to have transited from their existing benefits to UC, since it was launched in July 2017. In a significant proportion of those cases, rent arrears are reported to have increased because of the way that UC was rolled out, with computer and literacy skills mentioned as big issues.

[46] National Audit Office (2018) Rolling out Universal Credit
[47] Community Housing Cymru (2018) Joint call to change the flawed Universal Credit system as tenants are already in over £1m debt
[48] Scottish Housing News (2018) UK housing bodies warn 'flawed' Universal Credit is causing debt and hardship for families in social housing
[49] Citizens Advice (2017) Universal Credit and Debt
[50] South Wales Argus (2018) Universal Credit roll-out could affect up to 1,200: Bron Afon CEO

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		As well as the design of the payment processes for UC, cuts to the level of benefit entitlements (e.g. via the two-child limit and household benefit cap) have also been cited by some Housing Federations as contributory factors to increasing rent arrears. The UK Government has put in place mitigations to help address these emerging issues (e.g. two-week, non-repayable Housing Benefit run-on, as outlined below). Although these changes have been welcomed, some Housing Federations have argued they do not go far enough[51]. DWP commissioned IFF Research to undertake two waves of quantitative research with UC full service claimants. This longitudinal telephone survey covered a number of areas including managing housing costs. Interviews were conducted with claimants between March 2017 and September 2017[52]. The research found four in ten claimants at both survey waves were experiencing difficulties keeping up with bills approximately eight to nine months into their claim. In both waves, just over a third were experiencing housing payment arrears. Among those who were in arrears, around two thirds (65 per cent) said they fell into debt after they made their claim for UC. There were signs of the situation deteriorating over time for some claimants. Seven out of ten (71 per cent) of those in arrears at three months into their claim were still in arrears at the eight to nine month point and 44 per cent said the amount they owed had become larger. However, three in ten (29 per cent) of those still in arrears said the amount had become smaller and a quarter (27 per cent) of those in arrears in the first survey were up-to-date with their payments by the second survey. Certain groups of claimants were more likely to be experiencing arrears in both surveys including: those with a household income of less than £10,000; those with a long-term health condition; those renting from social landlords (council, local authority or housing association); those who have received an advance payment from Jobcentre Plus in the last three months prior to the second survey; and, those with an APA in place. In the survey, one fifth (22 per cent) of those receiving payments towards their housing costs said they had an APA in place.

[51] Community Housing Cymru (2018) Joint call to change the flawed Universal Credit system as tenants are already in over £1m debt

[52] IFF Research (2018) Universal Credit Full Service Survey In wave 1 1,014 UC claimants were interviewed three to four months after the beginning of their claim. Fieldwork took place in March and April 2017. Wave 2 of the survey, conducted approximately five months later, involved interviews with 1,004 claimants. 589 of these were follow-up, longitudinal interviews with claimants who had also completed a wave 1 interview. A further 415 were new interviews with individuals who started their claim at a similar time as the longitudinal sample but had not taken part in a wave 1 interview.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		DWP has also considered the impact of UC on rent arrears in their research with families[53]. The research comprised two waves of surveys and qualitative in-depth interviews. The quantitative research comprised telephone interviews with 1,039 UC family claimants between December 2015 and June 2016; 464 claimants were re-interviewed between March and August 2016. The qualitative research comprised in-depth interviews with 55 UC family claimants between July and August 2015; 48 claimants were re-interviewed between December 2015 and January 2016. The research found that at wave 1, just over two in five (41 per cent) renters were in arrears with their rent payment, falling to 31 per cent at wave 2[54]. The majority of UC family claimants reported that this was the first time they had been in rent arrears in their current accommodation (77 per cent at wave 1, 82 per cent at wave 2). At wave 1, half of family UC claimants reported that their rent arrears started after they made their current claim (49 per cent). There were a variety of reasons for being in arrears, but the five-week wait was highlighted. Most of the reasons for being in arrears were related to the claimant's personal situation and limited income. At wave 1, just over one in five (21 per cent) cited a recent job loss and one in nine mentioned an unpredictable or low income (11 per cent each). One in eight (12 per cent) mentioned the initial wait for a UC payment, while a similar proportion (13 per cent) reported delays in receiving their benefit due to perceived errors in the system. Reasons for arrears were similar at wave 2. Although DWP has published the above survey evidence, the NAO report that DWP has not undertaken any national, representative analysis of whether UC is creating additional rent arrears[55]. The Welsh Government has commissioned research (which commenced in January 2019) to build upon the available evidence, particularly at a Wales level, and this will cover both the private and social rented sectors. The research will take into account the complexity of rent arrears, which often cannot be attributed to a single cause. In addition, some tenants may already be behind with their rent before their UC claim started. The above evidence suggests that UC may be causing further rent arrears for some tenants in this position. For those who fall into rent arrears following their UC claim, it may be the UC payment system and the UC policy that is the problem (e.g. in-built payment delay associated with payment in arrears, delays, etc.) and/or the reason they have moved on to UC in the first place (e.g. loss of job or income, change of circumstances, new health condition etc.), as well as other factors.

[53] Ipsos Mori (2017) [Universal Credit Test and Learn Evaluation: Families]
[54] The wave 1 and wave 2 findings relate to different samples. For this particular question, wave 1 included 880 renters and wave 2 included 438 renters. The report states that when looking only at those who took part in both waves it remained the case that significantly fewer were in rent arrears in wave 2 than in wave 1 – 38 per cent versus 31 per cent.
[55] Instead they have produced a limited analysis with one housing association, which they intend to extend to an additional five housing providers to gain a greater understanding of the impact of UC on rent arrears.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		***Impact on foodbanks*** Research by the Trussell Trust has highlighted the links between UC, financial hardship and foodbank use[56]. Using referral data for 2017-18 from Trussell Trust foodbank vouchers in the UK, the research found that on average, 12 months after UC rollout in an area, foodbanks saw a 52 per cent increase in demand[57] compared to an increase of 13 per cent in areas that had not yet gone live with UC or had been live for 3 months or less. The research claims that their counterfactual analysis supports the view that this increase cannot be attributed to randomness in the selection of foodbanks and exists after accounting for seasonal and other variations. It is acknowledged that UC is not the only issue driving an increase in foodbank use, but the Trussell Trust regard it as a significant factor in many areas. Their analysis of more detailed foodbank referral data shows that benefit transitions (most likely due to people transitioning onto UC) are increasingly accounting for more referrals. The wait for the first payment was found to be a key cause, along with a lack of support to apply online, the inability of payments to cover the cost of living, and poor administration. ***Online claiming*** The longitudinal telephone survey of UC full service claimants that DWP commissioned IFF Research to undertake also explored experiences of their UC online claim (see footnote 52 for information on the methodology used). This found that 98 per cent of respondents claimed online. Around half (54 per cent) registered their claim online unassisted, while around a fifth (21 per cent) completed it online but with some help. However, just under a third (30 per cent) of those who registered their claim online found it difficult, particularly the process of verifying their identity. Overall, 43 per cent of claimants said they needed more support registering their UC claim and 31 per cent said they would need more ongoing support using their UC digital account.

[56] Trusell Trust (2018) The Next Stage of Universal Credit
[57] This is based on a sample of 38 foodbanks identified as having full rollout of UC for 12 months or more. In total, there are 420+ foodbanks in the Trussell Trust network. Three key factors that could potentially skew the data were tested and where necessary, controlled for (e.g. not including foodbanks with gaps in their data record, excluding new foodbanks in an early growth phase, and removing any effect of December data spikes).

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		***Labour market impact to date*** DWP has tested the impact UC is having on labour market participation by comparing UC claimants to similar JSA claimants. Analysis published in September 2017 suggests UC is having a positive labour market effect on the limited group covered by the analysis (single unemployed claimants without children)[58]. UC claimants were on average 4 percentage points more likely to have been in work at some point within the first six months of making their claim. DWP has supplemented this administrative analysis with survey findings. A longitudinal survey was conducted among UC claimants whose first claim was made between mid-October and mid-November 2014. A comparison sample of JSA claimants was drawn over the same period. All claimants were surveyed in weekly batches between 27th November and 23rd December 2014. On average, the first interview took place 5.5 weeks after the claim date, for both UC and JSA. The wave 2 survey followed up those who agreed to be re-contacted and took place around three months later, between 5th and 29th March 2015. The survey comprised 900 interviews with UC claimants at wave 1 (461 at wave 2); and 901 interviews with JSA claimants at wave 1 (499 at wave 2). The data were weighted to be representative of the known, eligible claimant profile. The wave 2 survey found that UC recipients who were not working in paid employment had spent an average of 30 hours on job search in the previous week and had applied for an average of 18 jobs during that time, while JSA claimants spent far less time on job search (averaging 20 hours in the previous week) although they made a similar number of job applications, with an average of 19[59]. A more recent survey published by DWP in June 2018 and undertaken in 2017 covered around 1,000 full service UC claimants who first claimed UC in November or December 2016[60]. The two waves of the survey took place at around three and eight months after the initial claim. The research found many claimants were not completing the required job search as set out in their claimant commitment and they often found achieving the required amount of job search challenging. The research compared the hours claimants said they were required to complete against the hours completed in the week prior to the survey. This showed that only half had met or exceeded the number of hours required, with the most common reason for not completing any work search activity being an illness or health condition. In wave 1, 40 per cent of respondents considered completing their required hours of work search easy, whilst 44 per cent found this difficult. In wave 2, 43 per cent said it was easy, with 37 per cent stating it was difficult. However, the research found some evidence of positive employment outcomes for UC claimants with the proportion of respondents in a paid role increasing from around a quarter (23 per cent) when they first made their UC claim to a third at around three months into their claim, and 40 per cent by eight months into the claim. Among those who took part in both waves of the survey, 13 per cent were unemployed in the first survey (three months into their claim) but had moved into work by the time of the second survey (eight months into their claim).

[58] DWP (2017) Universal Credit Employment Impact Analysis
[59] Ipsos Mori (2015) Universal Credit Extended Gateway Evaluation
[60] IFF Research (2018) Universal Credit Full Service Survey See footnote 52 above for further information on the methodology.

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		***UK Government policy changes in response to identified issues with early implementation*** In response to evidence on the impact of the early stages of the rollout of UC, the UK Government has made a number of policy changes to help support those most in need. The Autumn Statement 2016[61] announced the UC taper rate would be reduced (see reform 8 in this report for further information). This was followed by the following announcements in the Autumn Budget 2017[62]: • from January 2018, those who need it, and who have an underlying entitlement to UC, have been able to access up to a month's worth of UC within five days via an interest-free advance. The period of recovery has also been extended from six months to twelve months. New claimants in December 2017 were also able to receive an advance of 50% of their monthly entitlement at the beginning of their claim and a second advance to take it up to 100% in January 2018, before their first payment date. • from February 2018, the seven-day waiting period has been removed so that entitlement to UC starts on the first day of application • from April 2018, those already on Housing Benefit have continued to receive their award for the first two weeks of their UC claim • the UK Government has also made it easier for claimants to have the housing element of their award paid directly to their landlord. In addition, the Secretary of State for Work and Pensions announced in April 2018 and June 2018 there will be additional protections for some welfare claimants, including: enhancements to transitional protection for people moving onto UC; extending existing support for non-parental carers and adopters in tax credits and UC; and enhanced protections for those currently receiving the Severe Disability Premium (SDP) to provide additional support as UC is implemented. However, Citizens Advice highlight that new UC claims from disabled people who live alone without an adult carer could be over £180 a month worse off on UC than they would have been in the legacy system due to the removal of SDP in UC[63]. Further changes were announced in Budget 2018[64] in response to lessons learnt from the rollout of UC to date: • The amount that households with children, and people with disabilities can earn before their UC award begins to be withdrawn – the Work Allowance – will be increased by £1,000 from April 2019 (see reform 11 in this report for further information).

[61] HM Treasury (2016) Autumn Statement 2016
[62] HM Treasury (2017) Autumn Budget 2017
[63] Rahman, A. (2018) Universal Credit for single disabled people
[64] HM Treasury (2018) Budget 2018

Welfare Reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		• A package of extra support will be provided to claimants as they make the transition to UC - building on the Autumn Budget 2017 announcement that Housing Benefit claimants will receive an additional payment providing a fortnight's worth of support during their transition to UC, this provision will be extended to cover the income-related elements of JSA and ESA, and Income Support. This will be effective from July 2020, and benefit around 1.1 million claimants. • To support the transition to UC for all self-employed people, the 12-month grace period (the period before the Minimum Income Floor[65] (MIF) applies) will be extended to all gainfully self-employed people to give claimants time to grow their businesses to a sustainable level. This will be introduced from July 2019 and implemented fully from September 2020. • From October 2019, the maximum rate at which deductions can be made from a UC award will be reduced from 40% to 30% of the standard allowance. This aims to ensure that those on UC are supported to repay debts in a more sustainable and manageable way. From October 2021, the period over which advances will be recovered will be increased from 12 to 16 months. A speech delivered by the Secretary of State for Work and Pensions on 11th January 2019 about the future of UC outlined four key changes to support the different needs of different claimants and respond to issues raised with implementation to date[66]: • Managed migration - The delivery of the next phase of UC will be handled carefully so it works for all claimants. Powers will be sought for a pilot to support 10,000 people through the process in order to learn how best to facilitate the transition before returning to UK Parliament with the legislation needed for future managed migration. As planned, this will start from July 2019. • APAs -There will be more flexibility in payments, especially on rent and frequency. An online system for private landlords will be built, so they can request (where necessary) for their tenant's rent to be paid directly to them. In terms of those who find monthly payments hard to manage, Jobcentre Plus will be testing how to improve the provision of more frequent payments for new claimants. These pilots will start shortly, and once DWP have evidence of what works, they plan to roll it out further. • There will be more support for women – there is a DWP commitment to ensure that household payments go directly to the main carer (usually, but not always, the woman). For those couples currently claiming UC, around 60% of payments go to the woman's bank account. However, more will be done to enable the main carer to receive the UC payment. These changes will begin later this year. Childcare support through UC is paid in arrears only once actual costs are known. The UK

[65] The MIF is an assumed level of earnings based on what DWP would expect an employed person to receive in similar circumstances. It's calculated using the National Minimum Wage or National Living Wage, multiplied by the number of hours a person would be expected to look for and be available for work. It also includes a notional deduction for tax and National Insurance. If a person's self-employed earnings are below the MIF, DWP will use the MIF to work out the UC award instead of actual earnings.
[66] DWP (2019) Universal Credit: personal welfare speech

Welfare reform	Date of introduction	Outline of reform and estimated impact
Rollout of UC cont…		Government has recognised that this can cause financial difficulty, with some claimants struggling to pay upfront or report their costs on time. Therefore, in cases where the initial month's childcare costs prevent a claimant from starting work, the Flexible Support Fund should be used to help the transition for this priority group. Secondly, the UK Government has decided they should be flexible when parents are unable to report their childcare costs immediately, so that these costs will be reimbursed. • Changes to the two child policy – see reform 9 in this report for further information. Numerous changes have also been made to the UC rollout schedule (see Figure 2 in Annex 2).
6. Freeze most working-age benefits, tax credits and Local Housing Allowances (LHA)	April 2016 (for four years)	Most working-age benefits are subject to an uprating freeze over the four-year period 2016-17 to 2019-20, as announced in the 2015 Summer Budget. This means that they remain the same cash amount as they were in 2015-16. The UK Government's rationale was based on most benefits rising by 21 per cent since 2008's financial crisis compared to a rise in average earnings of 11 per cent. The freeze was deemed necessary by the UK Government to ensure it always pays to work[67]. This four-year freeze follows earlier cuts. In 2011, the default benefit uprating was switched from the Retail Price Index (RPI) to the Consumer Price Index (CPI), with some key benefits frozen in 2011-12 and 2012-13. Then in 2014-15 and 2015-16, most working-age benefit increases were restricted to 1 per cent. The Resolution Foundation report that Child Benefit is now already worth less than it was in April 1999, and beyond a family's first child, Child Benefit in April 2019 will be worth 14 per cent less than when it was (fully) introduced in April 1979 – despite large increases in societal wealth since then. Similarly, JSA will be lower in April 2019 than it was in April 1991[68]. The benefits included in the four-year freeze are: JSA; Child and Working Tax Credit; LHA; Income Support; Child Benefit; Work-Related Activity Group ESA. Benefits that are not frozen include: Maternity Allowance; Statutory Sick Pay; Statutory Maternity and Paternity Pay; Statutory Shared Parental Pay; Statutory Adoption Pay; Disability, Carers and Pensioners' Premiums; Other Disability, Carers and Pensioner Benefits; Support Group ESA. The freeze applies to all equivalent components of UC. The actual impact of the nominal freeze depends on the path of inflation, as in the absence of the freeze, September CPI inflation figures would have been used to uprate benefits. These figures have been higher than originally expected in 2015 when the freeze was announced. Overall, the actual cut to benefits from the four-year freeze is over 6 per cent compared to 4.6 per cent originally forecast[69].

[67] HM Treasury (2015) Summer Budget 2015 para 1.137
[68] Resolution Foundation (2018) Despite the 'end of austerity', April promises another deep benefit cut
[69] Ibid

Welfare reform	Date of introduction	Outline of reform and estimated impact
Freeze most working-age benefits, tax credits and LHA cont.…		Analysis by the Resolution Foundation shows that in total, 11 million households in the UK have seen a reduction in their benefits between 2016-17 and 2019-20 as a result of the freeze[70]. The benefits freeze does not impact everyone equally. Resolution Foundation analysis shows that poorer households will see the biggest loss in cash terms and as a share of their income, and that the freeze is most acutely felt by parents. The overall impact of the four-year freeze will mean an average couple with children in the bottom half of the income distribution will be £580 poorer in 2019-20 than if inflationary uprating had occurred since 2016-17, and the average low income single parent is estimated to be £710 worse off. The overall impact of the freeze is estimated to reduce working-age household incomes by £4.4 billion in 2019-20 (much higher than the original forecast of £3.9 billion). A large part (£1.5 billion) of this total saving will come from next year's freeze alone, with low income couples with children losing £200 on average and low income single parents losing £250 on average[71].
7. Remove family element in tax credits and UC, and the family premium in Housing Benefit, for new claims	April 2016 for Housing Benefit April 2017 for tax credits and UC	Those starting a family after 6th April 2017 are no longer eligible for the family element (basic element for families responsible for one or more children or qualifying young people) in tax credits. The equivalent in UC, known as the first child premium, is also not available for new claims after this date. Prior this policy change, a first child would increase maximum entitlement by £3,325 per year, and each subsequent child would increase maximum entitlement by a further £2,780 per year. However, first children born on or after the 6th April will no longer receive the extra £545 (known as the family element). Similar changes were made to Housing Benefit by removing the family premium for children born, or claims made, after April 2016. Households who have been in receipt of tax credits or UC with an interruption of less than 6 months are protected, as is a lone parent already on UC forming a couple with a single claimant not on UC, and those moving from tax credits to UC. Losses are notional[72] so there will be no cash losers, and there are exemptions in place. This change is expected to save the UK Exchequer £2 billion a year in the long run, and affect around 4 million families[73]. The numbers affected in Wales are expected to build up to around 200,000 families in the longer term, using the 2014-15 stock of families in receipt of Child Tax Credits as a proxy for the affected population[74].

[70] Resolution Foundation (2018) Falling inflation is good news for pay but confirms £200 hit for low-income families with kids
[71] Resolution Foundation (2018) Despite the 'end of austerity', April promises another deep benefit cut
[72] A notional loss measures the entitlement claimants would have been eligible for had the policy not been changed, rather than claimants losing income they had already been receiving (i.e. a cash loss).
[73] Hood, A., Keiller, A.N., and Waters, T. (2017) Significant cuts to two parts of the benefit system to be phased in from next week
[74] Welsh Government estimate based on HMRC (2016) Child and Working Tax Credits Statistics Finalised Annual Awards 2014-15 – Geographical Analysis

Welfare reform	Date of introduction	Outline of reform and estimated impact
8. Cut in the UC taper rate from 65 per cent to 63 per cent	April 2017	As announced in the 2016 Autumn Statement, from April 2017, the UC taper rate, which determines how quickly people lose their benefits as they increase their hours worked was reduced. The reduction from 65 per cent to 63 per cent means the low paid on UC keep an extra 2p of every extra £1 they earn. This change, which is expected to increase spend by £700 million in 2020-21[75], is a relatively small income boost benefitting around three million households in the UK. Resolution Foundation analysis shows the maximum gains from the reduction in the UC taper rate are around £500 a year for a family earning £30,000 a year (but less than 10 per cent of families on UC earn more than this amount)[76].
9. Limit child element of tax credits and UC to two children	April 2017	This policy aims to ensure fairness between claimants of benefits and those who support themselves solely through work. Prior to this policy, a family could receive the child element (currently worth £2,780 per year) for each child if they fall within the means-test. From April 2017, support provided through the child element of Child Tax Credit has been limited to two children, which means that any subsequent children born on or after 6th April 2017 are not eligible for further support. Families still receive a child element for more than two children if their children were born before 6th April 2017. Support under UC has also been limited to two children. For those already claiming UC, there will be no increase for subsequent children born on or after 6th April 2017. New claims for UC from families that already have more than two children have been redirected to tax credits until February 2019 (unless they are making a re-claim because they were getting UC within the last 6 months). The policy was due to apply to anyone who made a new claim to UC from February 2019, regardless of when their children were born (unless special circumstances apply – see below). However, the UK Government announced on 11th January that families making a new UC claim whose children were all born prior to the implementation of the policy (i.e. 6th April 2017) would be exempt from this policy (estimated by DWP to benefit 15,000 families). This addresses the issue of 'retrospection'. However, for families where the third child is born after April 2017, this change will have no effect and will not change the long-run impact of the policy, as eventually all children will be born after April 2017. Exemptions for exceptional cases include: multiple births; adopted children who would otherwise be in Local Authority care; those living long term with friends or family and who would otherwise be at risk of entering the care system, or where a child (under 16) living with their parents or carers has a child of their own; and, those who have a third child as the result of rape or where the claimant was in a controlling or coercive relationship with the child's other biological parent at the time of conception[77]. Households who have been in receipt of tax credits or UC with an interruption of less than 6 months are also protected. All children with disabilities continue to receive the Disabled Child Element or Severely Disabled Child Element in tax credits and the equivalent in UC. The policy is on a rolling basis. For example, if the eldest child reaches the age where they no longer qualify for Child Tax Credit, and there is a third child in the family born on or after the 6th April 2017, that child will qualify for the individual element.

[75] HM Treasury (2018) Budget 2018 Universal Credit
[76] Resolution Foundation (2016) Bending the rules
[77] Ibid

Welfare reform	Date of introduction	Outline of reform and estimated impact
Limit child element of tax credits and UC to two children cont…	April 2017	This measure does not impact on the childcare element of Working Tax Credit or UC, and does not affect Child Benefit support, which currently has a weekly rate of £20.70 for the eldest/only child and £13.70 per child for any additional children[78]. A publication by HMRC and DWP[79] shows that, in total, 73,530 UK Child Tax Credit households and GB UC full service households were affected by this policy on 2nd April 2018. Out of all households (865,000) with a third or subsequent child claiming either CTC or UC (including children born before 6th April 2017), around 9 per cent were affected by this policy on 2nd April 2018. The numbers affected will increase over time as more households with two or more children claiming Child Tax Credit or UC will have a child who has been born on or after 6th April 2017. Of the 73,530 UK Child Tax Credit households and GB UC full service households affected by this policy on 2nd April 2018, 70,620 (96 per cent) households were not receiving a child element or amount for at least one child in their household, while 2,900 (4 per cent) households received an exception. These exceptions included: • 2,440 (84 per cent) households who had a multiple birth • 270 (9 per cent) households who had non-parental care • 190 (7 per cent) households who had non-consensual conception. • The number of cases with an exception for adoption is below the threshold for publication (4 households or less). Of the UK Child Tax Credit households and GB UC full service households affected by this policy, 59 per cent were in work (defined as eligible for Working Tax Credit within the tax credit system, or in receipt of employment income within UC). A majority (62 per cent) of these affected households contained two adults with the remainder (38 per cent) being single adult households. Around 3,000 (5 per cent) of those UK Child Tax Credit households and GB UC full service households affected by the policy were resident in Wales in April 2018. Around 120 (4 per cent) of these households were in receipt of an exception. The remaining 2,880 households (96 per cent) were not receiving a child element or amount for at least one child in their household. Across all countries of the UK, households with a multiple birth were the most common type of exception, accounting for 93 per cent of households in Wales. The proportion of households with other types of exceptions in Wales is not provided at this stage due to both rounding and suppression of small numbers of cases.

[78] See Claim Child Benefit for further information. Families may have to pay a tax charge if they have an individual income over £50,000 a year.
[79] HMRC and DWP (2018) Child Tax Credit and Universal Credit Claimants – Statistics related to the policy to provide support for a maximum of two children

Welfare reform	Date of introduction	Outline of reform and estimated impact
Limit child element of tax credits and UC to two children cont…	April 2017	Given the change announced in January 2019, the long run impact is not expected to be fully felt until the mid-2030s. The IFS estimate that in the long run, this policy will save the UK Exchequer around £2 billion per year (in today's terms), with 700,000 families affected in the UK (if the population is similar to now and there are no further benefit reforms). Those affected by the two-child limit would be getting an average of £3,000 per year less than they would have got otherwise[80]. As this cut only applies to new births and new claims, this represents a notional loss, which is a measure of the entitlement claimants would have been eligible for had the policy not been changed, rather than claimants losing income they had already been receiving (i.e. a cash loss). The IFS estimate that this cut will increase child poverty in the UK (based on the UK Government's official measures and after housing costs) by around 300,000, depending on precisely which measure of poverty is used. In Wales, the IFS estimate it will increase the overall absolute poverty rate (after housing costs) in Wales by 0.6 percentage points in 2019-21[81]. DWP's Impact Assessment[82] notes females may be more likely to be affected than males as a high proportion of lone parents (most of whom are female) are in receipt of Child Tax Credit. Ethnic minority households may also be more likely to be affected as, on average, they are more likely to be in receipt of these benefits and have larger families. Of households in receipt of welfare benefits, those with a disability are less likely to have children, and are therefore, less likely to be affected.
10. ESA	Align Work-Related Activity Group (WRAG) rate with JSA for new claims - April 2017 Correction of errors in ESA and payment of arrears – from August 2017, with a commitment to fix this by April 2019.	ESA is a benefit paid to people who have limited capability to work because they are disabled or ill. Income-related ESA is currently in the process of being replaced by UC. ESA payments (and the UC Limited Capability for Work element) for those deemed able to carry out work-related activities (i.e. those in the WRAG) have been aligned with JSA and the standard rate of UC. This has applied to new claims only from 3rd April 2017. The ESA Support Group rate/UC Limited Capability for Work and Work-Related Activity rate continues to be paid to those with the most severe work-limiting health conditions and disabilities. DWP estimate 500,000 families in GB will be affected in the longer term, using the stock of WRAG claimants as a proxy for the affected population, and that the notional loss for those affected will be around £28 a week, saving the UK Exchequer around £640 million a year in 2020-21[83]. Using equivalent data for Wales, we estimate around 35,000 affected claimants will be in Wales[84]. A notional loss is a measure of the entitlement claimants would have been eligible for had the policy not been changed, rather than claimants losing income

[80] Waters, T. (2019) Reform to two-child limit addresses retrospection, but does not change long-run cut to support for big families
[81] Hood, A. and Waters, T. (2017) Living standards, poverty and inequality in the UK: 2017-18 to 2021-22
[82] DWP (2015) Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to child element and family element
[83] DWP (2015) Welfare Reform and Work Bill: Impact Assessment to remove the ESA Work-Related Activity Component and the UC Limited Capability for Work element for new claims
[84] ONS Nomis website, Employment and Support Allowance data

Welfare reform	Date of introduction	Outline of reform and estimated impact
ESA cont…		they had already been receiving (i.e. a cash loss). Lower income groups are more likely to be affected as they are more likely to be in receipt of this benefit. From April 2017, DWP put in place a number of measures to support ESA claimants in the WRAG and in the UC Limited Capability for Work group to get into employment, as set out within the 'Improving Lives: the Future of Work, Health and Disability' Green Paper[85]. In March 2018, the NAO published the findings from their investigation into a single, major cause of underpayment error in ESA, which relates to people whose existing benefit claim was converted to ESA and who were entitled to income-related ESA but were only awarded contribution-based ESA[86]. This error led to people missing out on additional disability premium payments (e.g. enhanced disability, severe disability, carer and pensioner premiums). The NAO report that since 2011, an estimated 70,000 people who transferred to ESA from other benefits have been underpaid by DWP. We would expect around 6 per cent (around 4,000) of these people to be in Wales based on DWP data on the number of people on ESA in Wales as a proportion of those on ESA in GB as a whole between 2011-2017 (source: DWP Stat-Xplore). The NAO report that the average underpayment is estimated to be around £5,000. However, some people will be owed a lot more. The report notes that a review of a sample of 1,000 cases suggests that 45,000 claimants entitled to the enhanced disability premium only may be owed around £2,500 and around 20,000 claimants who are entitled to the severe disability premium may be owed around £11,500 each. Furthermore, a small number could be owed around £20,000. DWP began contacting people and making payments from August 2017 and has committed to correcting this error and paying arrears by April 2019. Initially, claimants were only going to be paid arrears dating as far back as 21st October 2014 (i.e. the date of a legal tribunal ruling, which DWP claimed prevented them from paying back underpayments before this date). DWP estimated there was around £100 million - £150 million of underpayments that accrued before 21st October 2014, which it would not be able to pay. Around £340 million was due to be paid to claimants for the period after 21st October 2014. However, following pressure from groups such as the Child Poverty Action Group, who took legal action[87], it was announced in July 2018 that underpayments from as far back as 2011 would be repaid[88]. In total, that takes the amount that DWP expects to repay up to around £500 million. However, a report by the UK Parliament's Public Accounts Committee highlights that DWP is not planning to pay any compensation to claimants to reflect the lost value of passported benefits (e.g. NHS prescriptions, dentistry treatment and free school meals)[89].

[85] DWP and the Department of Health (2017) Improving Lives – The Future of Work, Health and Disability
[86] National Audit Office (2018) Investigation into errors in Employment and Support Allowance
[87] Child Poverty Action Group (2018) Charity takes legal action against DWP for disabled claimants' arrears
[88] Child Poverty Action Group (2018) CPAG legal action leads to full arrears for disabled claimants
[89] UK Parliament (2018) Employment and Support Allowance

Welfare reform	Date of introduction	Outline of reform and estimated impact
11. Increase in some UC work allowances	April 2019	The UK Government's Summer Budget 2015 announced a large reduction in how much families can earn before tax credits/UC start to be withdrawn (known as 'income thresholds' in tax credits and 'work allowances' in UC), to be implemented from April 2016. The tax credit income threshold was cut from £6,420 to £3,850 and it was announced that UC would also be withdrawn much earlier (straight away for non-disabled households without children). This meant a reduction in UC awards of up to £2,770 a year for working families, although the exact scale of impact varies by household type and housing tenure. IFS estimates[90] show this cut would have reduced spending by around £3 billion in 2020-21, with around three million families losing an average of just over £1,000 per year. Such cuts affect working families. Although the very poorest are protected, the incentive for families to have someone in work is weakened. In November 2015, the UK Government announced a reversal of the tax credit income threshold cuts. However, this made no difference in the long run as tax credits are being replaced by UC, which was unaffected by this particular reversal. However, the UK Government's Budget 2018 announced an increase in some UC work allowances from April 2019 (£1.7 billion additional annual spend in 2023-24), providing a £630 boost for some working families (those with children or disabled claimants), which offsets half of the original cut. The IFS estimates this change will benefit 2.4 million families, and leaves work allowances for renters higher than they were before Summer Budget 2015, but lower for owner-occupiers (with the exception of non-disabled families without children whose work allowances are still zero)[91]. The Resolution Foundation report that this change is progressive, with the vast majority (86 per cent) of spending benefitting lower income households. However, even though the longer-run impacts of the increase in the UC work allowance improve the distributional picture, the gains from this change are not sufficient to offset the impact of the final year of the benefit freeze for those households on the lowest incomes[92]. The IFS also make the point that this is a small increase in generosity compared to the cuts to working-age benefits introduced since 2015 and it is small relative to cuts still to come in (see Figure 1 in Section 5 of this report)[93].

[90] Hood, A. (2015) Benefit changes and distributional analysis. IFS Post-Budget Analysis
[91] Waters, T. (2018) Personal tax and benefit measures
[92] Resolution Foundation (2018) How to spend it – Autumn Budget 2018 response
[93] Johnson, P. (2018) Autumn Budget 2018: IFS analysis. Paul Johnson's Opening Remarks

3. Policy reversals

Welfare reform reversed	Date of proposed introduction	Outline of reform and estimated impact
1. Changes to UC housing support for 18-21 year olds	April 2017	It was announced in the 2015 Summer Budget that from 1st April 2017, some[94] 18 to 21 year olds claiming UC would not be entitled to help with housing costs. However, at the end of March 2018, the UK Government announced that it would amend the regulations so that all 18 to 21 year olds would be entitled to claim support for housing costs within UC[95]. This measure was estimated to save the UK Exchequer £40 million a year in 2021-22. Losses at the individual level were expected to be largely notional as the policy applied to new claims. A notional loss measures the entitlement claimants would have been eligible for had the policy not been changed, rather than claimants losing income they had already been receiving (i.e. a cash loss). The loss at the individual level would have been dependent on the claimant's rental liability, which varies widely depending on where they live. A DWP Equality Impact Assessment estimated around 1,000 people in GB would have been affected by this policy change in 2017-18, rising to 11,000 by 2020-21[96]. Following our request of estimates for Wales, we know DWP estimated claimants in Wales represented around 5% of the total caseload in GB, which means there would have been around 500 affected claimants in Wales by 2020-21. We also undertook our own analysis of the potential impact of this change, and estimated around 650 people in Wales would have been affected in the long-run, which is similar to DWP's estimate, and would have been subject to economic conditions (e.g. the labour market) and demographic factors, for example. In January 2018, DWP published a statistical release which shows that 96 per cent of 18-21 year olds in GB who applied for support for housing costs under UC between April and June 2017 were awarded it. Of these, 50 per cent had dependent children, which exempts claimants from the policy[97].

[94] A number of exemptions were planned. See the following link for more information: Housing costs for 18 to 21 year olds
[95] DWP (2018) Housing support for young people
[96] Inside Housing (2017) Up to 11,000 affected by under-21 benefit cap by 2021
[97] DWP (2018) Removal of automatic entitlement to housing costs for 18-21 year olds in Universal Credit

Welfare reform reversed	Date of proposed introduction	Outline of reform and estimated impact
2. Housing Benefit: limit social sector rents to equivalent private sector LHA rate This was also planned to include applying LHA rates in the supported housing sector and the establishment of a devolved fund to meet the shortfall between the LHA rates and the cost of provision	For general needs housing, the cap was due to apply from April 2019 for all tenants on UC, and to Housing Benefit tenants whose tenancies began or were renewed since April 2016. The cap was planned to be applied to all supported housing tenancies from April 2019.	The Spending Review and Autumn Statement 2015 announced an intention to cap the amount of rent that Housing Benefit will cover in the social rented sector to the relevant LHA level, which is the rate paid to most private renters on Housing Benefit (a flat rate which is set at the 30th percentile of market rents for properties of different bedroom sizes within a Broad Market Rental Area). The announcement also said the change would include the Shared Accommodation Rate (SAR) for single claimants under 35 who do not have dependent children. The cap was set to save the UK Government £520 million in 2020-21. Additional Discretionary Housing Payment (DHP) funding was planned. This change was initially due to apply to tenancies signed after 1st April 2016, with Housing Benefit entitlement changing from 1st April 2018. However, the Autumn Statement 2016 then announced for general needs housing, the cap would apply from April 2019 for all tenants on UC, and to Housing Benefit tenants whose tenancies began or were renewed since April 2016. The cap was due to be applied to all supported housing tenancies from April 2019. At the point of implementation, the rates would have applied to all supported housing residents in receipt of Housing Benefit. At the same time, a new funding model was due to be introduced under which local authorities in England would have received ring-fenced funding to meet the shortfall between the LHA rates and the cost of provision of supported housing. Scotland and Wales were also due to receive a funding allocation. Core rent and eligible service charges would have been funded through Housing Benefit or UC up to the level of the applicable LHA, and the shortfall would have been obtained from the new devolved fund. The SAR for claimants under 35 would not have applied to residents in supported housing. Social sector landlords were concerned that the LHA cap in the social rented sector would result in shortfalls between the rent due and claimants' entitlement to Housing Benefit, which could, in turn, result in rent arrears and impact on landlords' revenue streams. In addition, there would be an increased risk of homelessness for affected tenants. Given these concerns, in October 2017, the UK Government announced that LHA rates would not be applied to general needs social housing, nor would they be applied to supported housing[98]. In August 2018, the UK Government also announced that Housing Benefit would be kept in place for all those living in supported housing[99]. This is in contrast to its previous plan to devolve support to local authorities in England and devolved administrations (as outlined above).

[98] House of Commons Library (2017) Local Housing Allowance and the social rented sector

[99] Ministry of Housing, Communities & Local Government, Department for Work and Pensions, Kit Malthouse MP, and Justin Tomlinson (2018) All supported housing funding to be retained in welfare system

4. Cumulative impact of tax and welfare reforms

Welfare reform	Date of introduction	Outline of reform and estimated impact
Total impact of tax and benefit changes	Covers reforms announced between May 2010 and January 2018	Analysis undertaken by Landman Economics and Aubergine Analysis on behalf of the Equality & Human Rights Commission (EHRC)[100], which was published in March 2018, summarises findings on the potential impact of UK Government tax and welfare reforms, including at a Wales level. The analysis covers the cumulative impact of tax and welfare reforms announced between May 2010 and January 2018. Therefore, any tax and welfare changes announced since then are not taken into account in this analysis. However, more recent analysis by the IFS, at a UK level, shows the tax and welfare changes announced in Budget 2018 make relatively little difference to household incomes, on average. The overall effect of UK Government tax and benefit policies put into place since May 2015 is still expected to be strongly regressive, with the largest impacts being felt by people on the lowest incomes, and especially those with children[101]. The EHRC report estimates: • Households in Wales are estimated to lose 1.5 per cent of their net income on average (or around £480 a year) from the overall package of tax, welfare and National Living Wage reforms announced since 2010. The equivalent average losses for households in Scotland and England are around £580 a year (1.7 per cent of net income) and £700 a year (1.9 per cent of net income) respectively. Overall, these changes are regressive, with the largest impacts being felt by people on the lowest incomes. • The distributional effects in Scotland and Wales are less negative than in England for households in the bottom half of the income distribution. This is due to two main factors: presence of policies introduced by the Scottish and Welsh Governments to mitigate the impact of benefit and tax credit cuts on households (e.g. Council Tax Reduction Scheme), and higher average rent levels for Housing Benefit claimants in England compared to Wales and Scotland, which means the impact of restrictions on Housing Benefit has been more severe for claimants in England. The data also suggest that the introduction of UC leads to a larger increase in net incomes among the poorest households in Wales than in either Scotland or England. This is because the analysis predicts a larger increase in take-up for low income UC claimants in Wales than in Scotland or England. • Households with children experience much larger losses as a result of the tax and welfare reforms than households without children.

[100] Reed, H,. and Portes, J. (2018) The cumulative impact of tax and welfare reforms
[101] Waters, T. (2018) Personal tax and benefit measures; Norris Keiller, A,. and Waters, T. (2018) Distributional analysis

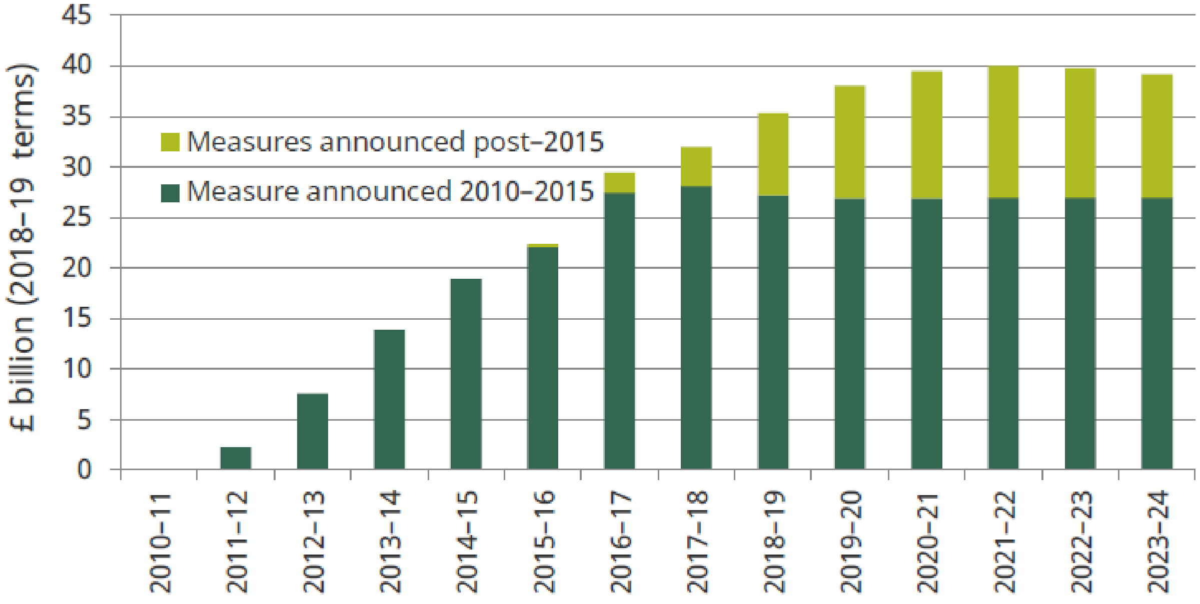
Welfare reform	Date of introduction	Outline of reform and estimated impact
Total impact of tax and benefit changes	Covers reforms announced between May 2010 and January 2018	• This is especially the case for lone parents in Wales who lose around £3,720 a year on average, and also large families. Those families with three or more children in Wales lose around £4,110 a year on average. • Relative child poverty (after housing costs) in Wales is estimated to increase substantially, with the reforms pushing an extra 50,000 children into poverty by 2021-22 (an increase of around 8 percentage points from 29.6% to 37.4%, and increasing the number of children in relative income poverty from around 200,000 to 250,000[102]). The change to the two-child limit policy announced after the publication of the EHRC report will have an effect on the timing of such impacts, as the long-run impact of the policy is now not expected to be felt until the mid-2030s (see reform 9 in this report for further information). • There is a disproportionately negative impact on the incomes of several protected groups, including disabled people, certain ethnic groups, and women, and particularly negative impacts on intersectional groups who experience multiple disadvantages (for example, lone parents with disabled children). In Wales, households with at least one disabled adult and a disabled child could lose around £5,270 a year on average (this should be regarded as an overestimate as it does not take into account subsequent policy changes that will benefit disabled people, e.g. the High Court Ruling on PIP assessments). Women will lose approximately £350 per year on average, while men will gain around £15. In GB, Bangladeshi households will lose around £4,400 a year, in comparison to White households, or households with adults of differing ethnicity, which will lose between £500 and £600 a year on average. Survey sample sizes meant that analysis by ethnicity at a Wales level would not have been reliable. • These negative impacts are for the most part a result of changes to the benefit system, in particular the freeze in working-age benefit rates, changes to disability benefits and reductions in UC rates. Nearly half of all households in Wales are expected to lose out from the overall package of reforms to direct taxes, transfer payments and the National Living Wage as a whole. Earlier analysis by the Welsh Government and also research undertaken by Sheffield Hallam University shows that unsurprisingly, the South Wales Valleys[103], which include the areas in Wales with the highest working-age benefit claimant rates, are the areas in Wales estimated to be worst affected by the major welfare changes announced since 2010[104].

[102] The baseline scenario assumes that none of the reforms to the tax-transfer system since 2010 had happened, and that the 2009–10 system had instead been uprated by inflation to 2021–22. The estimates for the reform scenario are after all the reforms introduced since the May 2010 election have been implemented.
[103] Blaenau Gwent, Merthyr Tydfil, Neath Port Talbot, Bridgend, Rhondda Cynon Taf, Caerphilly, Torfaen, and Newport.
[104] Welsh Government (2014) Analysing the impact of the UK Government's welfare reforms in Wales – Stage 3 analysis. Part 2: Impacts in local authority areas; Beatty, C. and Fothergill, S. (2014) The impact of welfare reform on the valleys

5. Welfare cuts still to come

- Many of the benefits cuts announced since 2015 are only partly implemented, as illustrated in the chart below. The benefits cuts still to come amount to around £4 billion a year.

Figure 1 – Forecast saving from social security measures announced since June 2010



Note: Effect of move to CPI indexation held constant from 2015–16 onwards; Excludes triple lock.
Source: Office for Budget Responsibility *Policy Measures Database*, various *Economic and Fiscal Outlook; IFS calculations*.

Source: Waters, T. (2018) Personal tax and benefit measures. A presentation at the Institute for Fiscal Studies post-Budget 2018 briefing event

6. Conclusions

This report has presented key research evidence, analysis and statistics on the significant impact of individual welfare benefit reforms already implemented and those that will continue to be rolled out over the next few years by the UK Government. The scale of these future welfare cuts has been illustrated. Consideration has also been given to the cumulative impact of these welfare benefit reforms, along with tax reforms, and the introduction of the National Living Wage. In addition, UK Government policy amendments and reversals have been brought into the discussion.

The UK Government has implemented a number of significant reforms to welfare benefits and tax credits through the Welfare Reform Act 2012 and the Welfare and Work Act 2016, with sizeable welfare cuts still to come. The most important reform is the introduction of UC, which represents a very significant change to the structure of the benefits system for those of working-age. Other key reforms discussed include the introduction of PIP, the four year freeze on most benefits received by those of working-age, and limiting the child element of tax credits and UC to two children. This report has shown that these changes, along with a range of other welfare changes, have different impacts on different people depending on their circumstances and characteristics.

Although each of the individual welfare reforms have their own set of effects on households as discussed in Section 2 of this report, it is particularly useful to look at the total impact of all of these reforms (alongside the tax and National Living wage reforms) as households can be affected by multiple reforms.

From EHRC analysis, we know that households in Wales are estimated to lose 1.5 per cent of their net income on average (or around £480 a year) from the overall package of tax, welfare and National Living Wage reforms announced since 2010 (up to January 2018). Nearly half of all households in Wales are expected to lose out from the overall package of reforms analysed.

Overall, the largest impacts are felt by people on the lowest incomes. Households with children experience much larger losses as a result of the tax and welfare reforms than households without children. Relative child poverty in Wales is estimated to increase substantially, with the reforms pushing an extra 50,000 children into poverty by the time they are fully implemented. There is also a disproportionately negative impact on the incomes of several protected groups, including disabled people, certain ethnic groups, and women, and particularly negative impacts on intersectional groups who experience multiple disadvantages.

More recent analysis by the IFS, at a UK level, shows the tax and welfare changes announced in Budget 2018 make relatively little difference to household incomes, on average. The overall effect of UK Government tax and benefit policies put into place since May 2015 is still expected to be strongly regressive, with the largest impacts being felt by people on the lowest incomes, and especially those with children.

The negative impacts are largely driven by changes to the welfare benefit system, such as the freeze in working-age benefit rates. Although some welfare benefit policies have been amended or reversed by the UK Government, some have argued that these actions do not go far enough. The scale of welfare cuts still to come is also of particular concern.

The UK Government has responsibility for the policy development of welfare reform and the administration of welfare benefits. The Welsh Government does not have all of the resources available to address the full impact of these changes, however, it continues to mitigate, where possible, and has invested in additional funding, for example, to frontline advice services, the DAF, CTRS, and free school meals. The findings from this report will be used to help inform Welsh Government policy development on mitigating the impact of welfare reform.

Annex 1

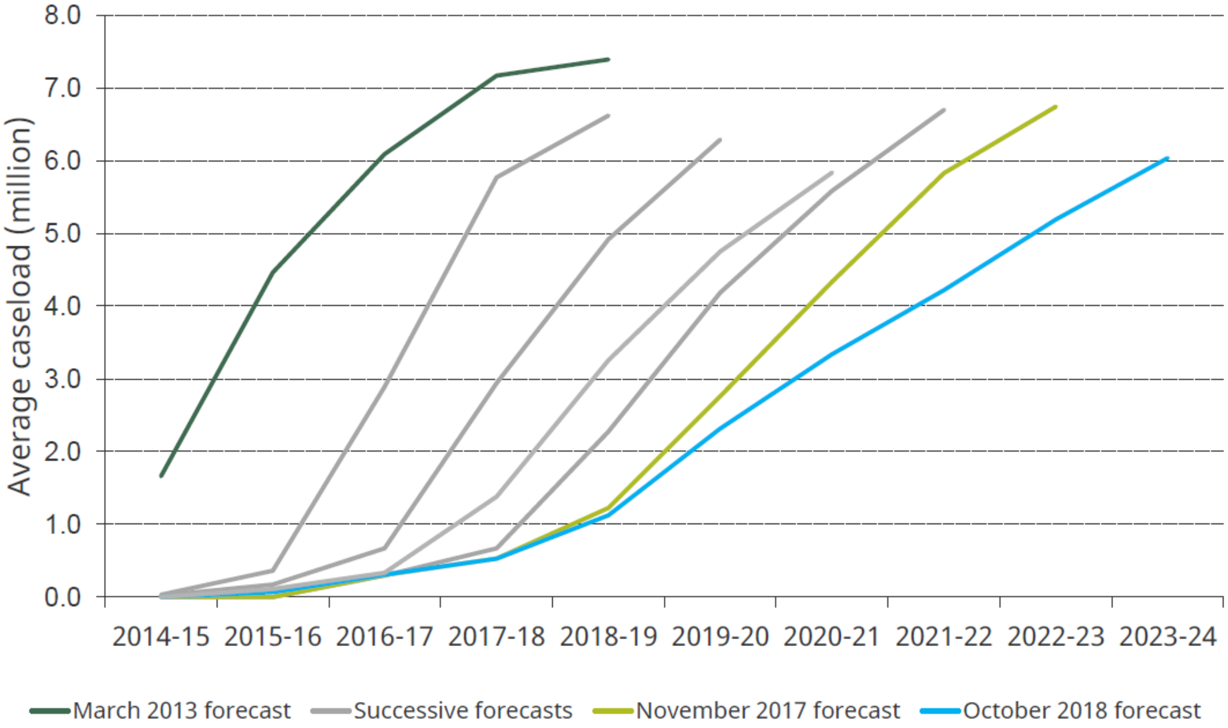
Rollout of UC full service in Wales by local authority

Month	Local authority area	Jobcentre Plus office
April 2017	Flintshire	Flint Mold Shotton
July 2017	Torfaen	Cwmbran Pontypool
October 2017	Neath Port Talbot	Neath Port Talbot
	Wrexham	Wrexham
November 2017	Newport	Newport
December 2017	Swansea	Gorseinon Morriston Swansea
February 2018	Cardiff	Alex House Charles Street
April 2018	Denbighshire	Rhyl
June 2018	Bridgend	Bridgend Porthcawl Maesteg
	Conwy	Colwyn Bay Llandudno
	Merthyr Tydfil	Merthyr Tydfil
	Monmouthshire	Abergavenny Caldicott Chepstow
July 2018	Blaenau Gwent	Abertillery Ebbw Vale
September 2018	Caerphilly	Bargoed Blackwood Caerphilly
	Pembrokeshire	Haverfordwest Milford Haven Pembroke Dock
October 2018	Gwynedd	Machynlleth *(also serves Powys CC so went live with other Powys areas in October)*
	Powys	Brecon Llandrindod Wells Newtown Machynlleth (also serves Gwynedd CC) Welshpool Ystradgynlais
	Vale of Glamorgan	Barry Penarth

Month	Local authority area	Jobcentre Plus office
November 2018	Rhondda Cynon Taff	Aberdare Llantrisant Pontypridd Porth Tonypandy Treorchy
December 2018	Anglesey	Amlwch Holyhead Llangefni
	Carmarthenshire	Ammanford Carmarthen Llanelli
	Ceredigion	Aberystwyth Cardigan
	Gwynedd Council	Bangor Caernarfon Dolgellau Porthmadog Pwllheli

Annex 2

Figure 2 - UC rollout delays



Source: Waters, T. (2018) Personal tax and benefit measures. A presentation at the Institute for Fiscal Studies post-Budget 2018 briefing event