

## ***Distribution Sub-Group (2020) Paper 25 – Welfare Benefits Reform***

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### **Welfare Benefits Reform Update**

#### **Summary**

1. This paper sets out the latest position concerning Welfare Benefits Reform, in particular, Job Seeker Allowance (JSA) data and Universal Credit (UC) and the impact on the 2021-22 Local Government Settlement.

#### **Views Sought**

2. DSG are asked to consider the options proposed for the JSA data for the 2021-22 Settlement.
3. DSG are asked to consider the UC data and whether this is creating a distributional bias towards areas that were rolled out earlier than others.

#### **Background**

4. Benefits data are used directly as indicators in the Settlement to distribute funding through using a combination of Income Support, Income-based JSA, Pension Credit and Universal Credit (UC) not in employment data.
5. This data is available quarterly, and a 12 quarter average is used within the settlement to smooth the year-on year changes.
6. The JSA is either contribution-based or income-based depending on the jobseeker's circumstances:
  - Contribution-based JSA: You can get contribution-based JSA if you've paid enough Class 1 National Insurance contributions. You can get this type of JSA even if your partner works or you have savings but you cannot claim contribution-based if you've never worked. 'New style' JSA is a type of contribution-based JSA which can be applied for if you live in a UC full service area - it can be claimed on its own or at the same time as UC.
  - Income-based JSA: You may be eligible for income-based JSA if the following apply: you work less than 16 hours per week on average; your partner works less than 24 hours per week on average; you and your partner have £16,000 or less in savings between you. You cannot get income-based JSA and UC at the same time. Income-based JSA is being gradually replaced by Universal Credit (UC).
7. UC replaces benefits, along with income-related Employment and Support Allowance (ESA), Working Tax Credit and Child Tax Credit. Therefore, it is worth noting that it is not the case that every UC claimant would have otherwise been claiming JSA. UC is an in and out-of-work benefit.
8. From November 2019 the income-based JSA data was no longer available in the specific format (broken down into income- and contribution-based JSA).

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### **Analysis**

9. This section looks at a series of options for DSG to consider, with the latest 4 quarters of income-based JSA data no longer being available.
10. As the JSA data is broken down into two different age cohorts, this paper considers the impact of this change on both.

### **JSA: All ages**

11. Previously the settlement only used income based Job seekers allowance, the data now published by DWP includes all caseload (income-based and contribution-based JSA). This split was previously available to assess the estimated proportion split.
12. Taking income based JSA as a percentage of total JSA (using rounded data) indicates that in the latest quarter 83% of the caseload were due to income-based JSA, however, this varies across local authorities, 50% in Flintshire and Torfaen, to 100% in Denbighshire.
13. Given individuals are likely to have moved off income-based JSA to UC since this time period, it is likely that this percentage may have decreased slightly.

**Table 1: Income-based Job seekers allowance as a percentage of all Job seekers allowance**

	February 2018	May 2018	August 2018	November 2018	February 2019
Isle of Anglesey	75.0%	71.4%	66.7%	80.0%	83.3%
Gwynedd	66.7%	71.4%	71.4%	71.4%	70.0%
Conwy	75.0%	70.0%	71.4%	83.3%	71.4%
Denbighshire	85.7%	100.0%	100.0%	100.0%	100.0%
Flintshire	66.7%	66.7%	50.0%	100.0%	50.0%
Wrexham	83.3%	80.0%	100.0%	66.7%	66.7%
Powys	80.0%	75.0%	60.0%	75.0%	75.0%
Ceredigion	66.7%	50.0%	75.0%	66.7%	60.0%
Pembrokeshire	80.0%	81.8%	90.9%	100.0%	87.5%
Carmarthenshire	81.3%	78.9%	75.0%	77.8%	85.0%
Swansea	81.3%	81.8%	70.0%	85.7%	85.7%
Neath Port Talbot	62.5%	60.0%	75.0%	100.0%	75.0%
Bridgend	83.3%	80.0%	90.0%	85.7%	100.0%
Vale of Glamorgan	72.7%	80.0%	80.0%	85.7%	85.7%
Cardiff	82.5%	87.9%	88.9%	85.0%	83.3%
Rhondda Cynon Taff	77.3%	78.3%	85.7%	82.6%	84.2%
Merthyr Tydfil	75.0%	66.7%	83.3%	75.0%	100.0%
Caerphilly	80.0%	86.4%	84.2%	92.9%	92.9%
Blaenau Gwent	81.8%	77.8%	87.5%	83.3%	100.0%
Torfaen	66.7%	66.7%	50.0%	50.0%	50.0%
Monmouthshire	60.0%	75.0%	100.0%	100.0%	100.0%
Newport	84.6%	90.0%	87.5%	83.3%	83.3%
<b>Wales</b>	<b>78.3%</b>	<b>80.0%</b>	<b>81.8%</b>	<b>83.8%</b>	<b>82.6%</b>

14. For the 2021-22 settlement, there are three main options for DSG to consider within this paper:
  - a) Freeze the benefits data as used in the 2020-21 settlement;
  - b) Use the full JSA data, for the latest 4 quarters.
  - c) Freeze the Income based JSA but update the remaining dataset.

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15. Table 2 shows the total number of benefits recipients across all options. As the settlement is based on relative need, we consider the changes to the percentage shares, rather than crude numbers, as this is what impacts the financial distribution.
16. Comparing option B to the data used in the 2020-21 settlement (also option A) see the change in percentage shares ranging from an increase of 0.14 percentage point in Swansea, to decreases of 0.10 percentage points in RCT.
17. Using option C results in greater changes to the distribution, with the changes ranging from an increase of 0.37 percentage points in Cardiff to a decrease of 0.22 percentage points in Rhondda Cynon Taf.

**Table 2: Benefits data broken down by option for all age groups.**

	2020-21 data (A)	Option B	Option C	change in % share (B) - (A)	change in % share (C) - (A)
Isle of Anglesey	4,354	4,390	4,400	-0.06%	-0.12%
Gwynedd	6,603	6,698	6,690	-0.07%	-0.17%
Conwy	7,317	7,543	7,611	-0.01%	-0.09%
Denbighshire	6,584	6,842	6,984	0.02%	-0.01%
Flintshire	7,805	8,180	8,475	0.05%	0.08%
Wrexham	8,041	8,373	8,739	0.03%	0.09%
Powys	5,740	5,881	5,868	-0.03%	-0.12%
Ceredigion	3,252	3,325	3,345	-0.02%	-0.06%
Pembrokeshire	7,162	7,357	7,515	-0.03%	-0.06%
Carmarthenshire	10,448	10,708	10,803	-0.05%	-0.16%
Swansea	14,934	15,721	16,359	0.14%	0.23%
Neath Port Talbot	10,303	10,759	11,129	0.05%	0.08%
Bridgend	8,465	8,767	9,085	0.00%	0.04%
Vale of Glamorgan	6,093	6,274	6,421	-0.02%	-0.03%
Rhondda Cynon Taf	15,919	16,283	16,517	-0.10%	-0.22%
Merthyr Tydfil	4,300	4,476	4,633	0.01%	0.03%
Caerphilly	12,101	12,378	12,671	-0.07%	-0.11%
Blaenau Gwent	5,674	5,790	5,988	-0.04%	-0.03%
Torfaen	6,232	6,532	6,866	0.04%	0.12%
Monmouthshire	3,515	3,619	3,648	-0.01%	-0.05%
Newport	9,964	10,424	11,032	0.06%	0.21%
Cardiff	19,752	20,642	21,756	0.11%	0.37%
<b>Wales</b>	<b>184,558</b>	<b>190,961</b>	<b>196,536</b>		

18. The analysis in table 2 demonstrates the overall patterns, rather than specifically due to changing the JSA element. Therefore table 3 considers the full breakdown by benefit component.
19. This table demonstrates that three of the four components (JSA (including the full data), Income support and Pension credits) have seen a reduction in the average number of claimants at a Wales level compared with what was used in the previous settlement. The average number of claimants on universal credit have doubled.

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**Table 3: Benefit component values used in the 2020-21 settlement (actual) compared to the latest available data for the 2021-22 settlement (updated).**

	JSA			UC			income Support			Pension Credit		
	Actual	Updated	Change in	Actual	Updated	Change in %	Actual	Updated	Change in	Actual	Updated	Change in
			% share			share			% share			
Isle of Anglesey	567	444	0.20%	298	611	-0.05%	693	600	0.08%	2,796	2,623	0.00%
Gwynedd	625	512	0.38%	426	941	0.07%	955	825	0.10%	4,597	4,299	-0.01%
Conwy	617	502	0.35%	739	1,540	-0.08%	1,110	939	0.05%	4,851	4,515	-0.03%
Denbighshire	508	362	-0.06%	713	1,559	0.08%	1,204	1,013	0.03%	4,158	3,904	0.01%
Flintshire	292	240	0.18%	1,721	2,953	-1.55%	1,177	897	-0.29%	4,617	4,333	0.01%
Wrexham	700	396	-0.79%	1,329	2,623	-0.46%	1,526	1,220	-0.18%	4,487	4,197	-0.01%
Powys	300	269	0.34%	316	833	0.34%	776	665	0.06%	4,348	4,070	0.00%
Ceredigion	258	199	0.07%	162	452	0.23%	449	386	0.04%	2,383	2,249	0.02%
Pembrokeshire	867	701	0.46%	518	1,277	0.37%	1,248	1,079	0.13%	4,529	4,292	0.05%
Carmarthenshire	1,317	1,166	1.39%	605	1,567	0.60%	1,756	1,523	0.20%	6,770	6,396	0.05%
Swansea	1,333	922	-0.35%	2,425	4,884	-0.62%	2,705	2,180	-0.26%	8,472	7,963	0.03%
Neath Port Talbot	592	410	-0.15%	1,815	3,410	-0.99%	2,058	1,689	-0.09%	5,839	5,438	-0.03%
Bridgend	1,000	672	-0.40%	920	2,126	0.35%	1,901	1,623	0.13%	4,643	4,336	-0.01%
Vale of Glamorgan	792	577	-0.01%	416	1,143	0.55%	1,270	1,094	0.12%	3,616	3,393	0.01%
Rhondda Cynon Taf	1,958	1,511	0.55%	973	2,738	1.43%	3,673	3,156	0.32%	9,315	8,666	-0.06%
Merthyr Tydfil	550	393	-0.06%	460	1,078	0.21%	977	829	0.05%	2,312	2,177	0.01%
Caerphilly	1,750	1,331	0.36%	1,109	2,438	0.16%	2,429	2,090	0.22%	6,812	6,393	0.01%
Blaenau Gwent	917	594	-0.52%	566	1,263	0.12%	1,099	929	0.04%	3,092	2,880	-0.02%
Torfaen	350	196	-0.41%	1,495	2,612	-1.24%	1,087	820	-0.30%	3,301	3,084	-0.01%
Monmouthshire	300	239	0.14%	321	720	0.08%	544	437	-0.06%	2,350	2,191	-0.01%
Newport	1,292	844	-0.68%	1,844	3,580	-0.76%	1,931	1,551	-0.20%	4,897	4,609	0.02%
Cardiff	3,158	2,158	-1.02%	2,526	5,923	1.16%	4,222	3,467	-0.19%	9,846	9,208	-0.02%
<b>Wales</b>	<b>20,042</b>	<b>14,638</b>		<b>21,696</b>	<b>46,273</b>		<b>34,789</b>	<b>29,009</b>		<b>108,030</b>	<b>101,212</b>	

*Note the percentage changes will not directly correspond to the previous table due to the change in component totals between years*

20. The table demonstrates larger changes in the distribution due to updating both the JSA and the UC data. The changes for JSA range from a 1.02 percentage point reduction in Cardiff to a 1.39 percentage point increase in Carmarthenshire. The UC changes ranges from a 1.55 percentage point decrease in Flintshire to a 1.43 percentage point increase in RCT.

21. The changes observed for universal credit are largely reducing the shares of authorities that were rolled out earlier on, with other authorities such as RCT and Cardiff seeing large increases in their shares of the indicator.

**JSA: 18 to 64**

22. Breaking down the benefit data to the 18-64 age group we see a similar pattern to the all age group, however we notice that the difference between using option B and C are closer. This is due to the number of claimants on pension credit being much lower, in this age breakdown.

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**Table 4: Benefits data for the 18 to 64 age group.**

	2020-21 data (A)	Option B	Option C	change in % share (B) - (A)	change in % share (C) - (A)
Isle of Anglesey	1,629	1,663	1,790	-0.22%	-0.19%
Gwynedd	2,102	2,293	2,408	-0.12%	-0.14%
Conwy	2,584	3,000	3,118	0.06%	-0.01%
Denbighshire	2,507	2,941	3,088	0.09%	0.06%
Flintshire	3,282	4,092	4,145	0.39%	0.18%
Wrexham	3,661	4,244	4,550	0.08%	0.13%
Powys	1,480	1,782	1,814	0.10%	0.03%
Ceredigion	927	1,046	1,108	-0.01%	-0.01%
Pembrokeshire	2,739	3,069	3,238	-0.06%	-0.08%
Carmarthenshire	3,821	4,274	4,429	-0.09%	-0.20%
Swansea	6,625	7,973	8,389	0.46%	0.39%
Neath Port Talbot	4,610	5,522	5,706	0.29%	0.14%
Bridgend	3,929	4,420	4,749	-0.07%	0.00%
Vale of Glamorgan	2,554	2,820	3,036	-0.10%	-0.06%
Rhondda Cynon Taf	6,840	7,434	7,886	-0.41%	-0.41%
Merthyr Tydfil	2,057	2,307	2,464	-0.04%	-0.03%
Caerphilly	5,494	5,896	6,318	-0.41%	-0.34%
Blaenau Gwent	2,665	2,795	3,120	-0.27%	-0.11%
Torfaen	3,018	3,636	3,789	0.21%	0.15%
Monmouthshire	1,209	1,397	1,462	0.02%	0.00%
Newport	5,171	5,973	6,422	0.08%	0.17%
Cardiff	10,123	11,560	12,565	0.02%	0.33%
<b>Wales</b>	<b>79,026</b>	<b>90,136</b>	<b>95,595</b>		

### **Financial impact**

23. The analysis above gives the group an opportunity to understand why and how these changes impacts the distribution of the data, table 5 considers the financial impact of updating the data.
24. Using option B would see a financial redistribution of SSA between £179k in Flintshire to a decrease of £156k in Rhondda Cynon Taf.
25. Option C would see Cardiff having the largest increase up £182k and Rhondda Cynon Taf having largest decrease (down £157k).

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**Table 5: Exemplifying the benefits data options on the 2020-21 settlement**

	2020-21 SSA	Option B	Option C	B - A	C-A	B/A-1	C/A-1	
Isle of Anglesey	142,316	142,232	142,238	- 84	-	78	-0.06%	-0.05%
Gwynedd	254,380	254,314	254,298	- 66	-	82	-0.03%	-0.03%
Conwy	229,516	229,517	229,488	1	-	28	0.00%	-0.01%
Denbighshire	205,890	205,913	205,899	24		9	0.01%	0.00%
Flintshire	286,087	286,227	286,153	140		66	0.05%	0.02%
Wrexham	256,883	256,917	256,938	33		55	0.01%	0.02%
Powys	267,839	267,847	267,810	8	-	30	0.00%	-0.01%
Ceredigion	150,200	150,185	150,180	- 15	-	20	-0.01%	-0.01%
Pembrokeshire	247,581	247,556	247,546	- 24	-	35	-0.01%	-0.01%
Carmarthenshire	375,549	375,502	375,455	- 47	-	94	-0.01%	-0.02%
Swansea	463,934	464,113	464,090	179		157	0.04%	0.03%
Neath Port Talbot	292,996	293,105	293,050	109		54	0.04%	0.02%
Bridgend	277,406	277,389	277,416	- 17		9	-0.01%	0.00%
Vale of Glamorgan	244,317	244,278	244,294	- 39	-	23	-0.02%	-0.01%
Rhondda Cynon Taf	494,615	494,459	494,458	- 156	-	157	-0.03%	-0.03%
Merthyr Tydfil	122,423	122,416	122,425	- 7		2	-0.01%	0.00%
Caerphilly	366,320	366,184	366,210	- 136	-	110	-0.04%	-0.03%
Blaenau Gwent	145,116	145,022	145,083	- 94	-	33	-0.06%	-0.02%
Torfaen	186,317	186,405	186,384	88		67	0.05%	0.04%
Monmouthshire	160,273	160,270	160,260	- 3	-	14	0.00%	-0.01%
Newport	309,475	309,534	309,577	59		102	0.02%	0.03%
Cardiff	668,213	668,261	668,395	49		182	0.01%	0.03%
<b>Wales</b>	<b>6,147,646</b>	<b>6,147,646</b>	<b>6,147,646</b>					

**Conclusion**

26. DSG members are asked to provide their recommendation, on how the benefits dataset are treated for the 2021-22 settlement:

- To freeze all at last year’s values;
- To update the data for the latest 4 quarters through including contribution-based JSA;
- To freeze the JSA but to update the remaining benefits dataset.

27. Further investigation on the benefits dataset will form part of the 2021 work programme.