



House of Commons  
Welsh Affairs Committee

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**The Benefits System  
in Wales: Government  
response to the  
Committee's Fourth  
Report of Session 2021–  
22, and correspondence  
from the Welsh  
Government**

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**First Special Report of  
Session 2022–23**

*Ordered by the House of Commons  
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## Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the Senedd Cymru—Welsh Parliament).

### Current membership

[Rt Hon Stephen Crabb MP](#) (*Conservative, Preseli Pembrokeshire*) (Chair)

[Simon Baynes MP](#) (*Conservative, Clywd South*)

[Virginia Crosbie MP](#) (*Conservative, Ynys Môn*)

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[Geraint Davies MP](#) (*Labour (Co-op), Swansea West*)

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[Robin Millar MP](#) (*Conservative, Aberconwy*)

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[Dr Jamie Wallis MP](#) (*Conservative, Bridgend*)

[Beth Winter MP](#) (*Labour, Cynon Valley*)

[Tonia Antoniazzi MP](#) (*Labour, Gower*) was also a Member of this Committee during this inquiry.

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

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Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are Miranda Good (Second Clerk), John Hitchcock (Committee Specialist), Sarah Ioannou (Clerk), Chloe Jago (Senior Media Officer), Lucy Morgan (Committee Specialist), Anwen Rees (Clerk), Kelly Tunnicliffe (Committee Operations Officer), Saminah Turk (Committee Operations Manager).

### Contacts

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# First Special Report

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The Welsh Affairs Committee published its Fourth Report of Session 2021–22, [The Benefits System in Wales](#) (HC 337) on 17 March 2022. The Government's response was received on 9 June 2022 and is appended to this report. The correspondence from the Welsh Government was received on 20 April 2022.

## Appendix 1: Government Response

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**Recommendation 1:** *The Department for Work and Pensions (DWP) should run a consultation with welfare rights advisors on Universal Credit's explicit consent model and examine whether any changes are necessary. (Paragraph 4 and 76)*

### Response

The Department for Work and Pensions is committed to continually improving access to Universal Credit for those most vulnerable in society. As there is a large amount of personal information held within an individual's Universal Credit account, any data breach has far-reaching consequences for claimants, and it is vital to balance consent against risk. Therefore, a policy of explicit consent exists to help reduce the risk of fraud by ensuring claimants' data is kept safe from unscrupulous organisations and individuals.

Where explicit consent is needed, it can be quickly given in different ways: over the telephone or via the online journal, at any time during a Universal Credit claim. Once consent is given, the Department will work with claimants' representatives.

As of late 2021, the Department commenced an internal information gathering exercise which entails collecting richer data from claimants about what support they need and who may be providing this support. This information is now live on the Universal Credit service, and the Department will soon progress to analysing the data received.

The Department welcomes any input through its ongoing discussions with a broad group of stakeholders who represent vulnerable claimants; however, to pause to run a formal consultation exercise at this stage, would delay the work already paused by the pandemic.

**Recommendation 2:** *The UK Government must urgently review the level at which Statutory Sick Pay (SSP) is set. At only £96.35 per week, it is equivalent to only 20 per cent of the average wage—compared to 100 per cent in Germany and 90 per cent in France. In the interest of public health and to ensure that nobody is forced to choose between keeping themselves and others safe or putting food on the table, the UK Government must commit to increasing the level of SSP. The DWP should write to the committee with an update on progress within 6 months. (Paragraph 5 and 81)*

**Recommendation 3:** *Sick pay benefits wider society, not just the sick, and we would welcome the UK Government reviewing the eligibility criteria for this benefit. (Paragraph 6 and 82)*

### Response

Statutory Sick Pay should not be looked at in isolation, more than half of employees (60%) receive more than the statutory minimum from their employer. In the response to 'Health

is Everyone's Business' consultation published in 2021, the UK Government stated the pandemic was not the right time to introduce changes to the rate of Statutory Sick Pay, or its eligibility criteria, as this would have placed an immediate and direct cost on employers at a time where many were struggling.

As we learn to live with Covid-19, the UK Government is continuing to take a broader look at the role of Statutory Sick Pay and is keeping the system under review.

Any further changes will be announced to Parliament. The UK Government will not provide a further update to the Committee.

**Recommendation 4:** *It is clear that current benefit levels are inadequate. In the short term, the £20 uplift should be reintroduced at the Budget in March 2022 and extended to legacy benefits. (Paragraph 10 and 86)*

### **Response**

The UK Government rejects this recommendation. The UK Government has always been clear that the £20 increase was a temporary measure to support those households most economically affected by the economic shock of Covid-19. It was always intended to be temporary.

The UK Government defended a challenge in the High Court to the lawfulness of applying the temporary £20 uplift to Universal Credit but not to other Department for Work and Pensions income-related benefits. It was heard in November 2021. In February 2022, the High Court ruled in favour of the Department for Work and Pensions. The courts have so far refused permission to appeal.

More recently, the UK Government is now providing over £15bn in further support towards cost-of-living pressures, targeted particularly on those with the greatest need. This package is in addition to the over £22bn announced previously, with UK Government support for the cost of living now totalling over £37bn this year. This means that millions of the most vulnerable households will get £1,200 of one-off support in total this year, with all domestic electricity customers receiving at least £400.

We know that the best way families can support themselves is through good, well-paid work; households in full time work on Universal Credit are at least £6,000 a year better off than those out of work. Way to Work and Plan for Jobs are helping jobseekers find new employment, and the UK Government has invested in several schemes to support claimants into work.

For example, the Kickstart scheme enabled claimants aged 16-24 to secure a fully funded six-month job role. As of 08 May 2022, over 162,600 Kickstart jobs have been started by young people.

The Restart Scheme is offering a fresh start for more than a million people who have been unemployed for over 9 months. This is an addition to the Job Entry Targeted Support Scheme (JETS), which supports those people who have been unemployed for at least 13 weeks. As of 3 April 2022 for England and Wales, the total starts is 246,701 which is why it is being extended until September 2022.

**Recommendation 5:** *We urge the UK Government to use nearer-term forecasts to increase benefits in line with the actual rate of inflation that will apply in April 2022. As a long-term solution to these issues, the DWP should outline what the benefit system is trying to achieve and how this can be measured, particularly in relation to ending poverty. The DWP should then develop and publish clear metrics for determining benefit levels, based on this overall strategy. (Paragraph 12 and 88)*

### Response

The UK Government rejects this recommendation. The Secretary of State for Work and Pensions is required by law to undertake an annual review of benefits and pensions. The Consumer Prices Index (CPI) in the year to September is the latest figure that she can use to allow sufficient time for the required operational changes before new rates can be introduced at the start of the new financial year.

Benefit up-rating since April 1987 has been based on the increase in the relevant price inflation index in the year to the previous September. Over the past 35 years, there have been a number of occasions where up-rating decisions were implemented at a higher rate than the prevailing inflation when they come into force, as the index balances over time. For example, in 2012 benefits were increased by 5.2% whereas by the following April CPI was 3% and in 2020 the increase was 1.7% while CPI fell to 0.8% by April. Forecasts currently project inflation to be falling by Spring 2023.

The Secretary of State's decisions regarding benefits and pensions for 2022/23 were announced to Parliament on 25 November 2021 and the increase of 3.1% from April 2022 was debated and approved by both Houses of Parliament earlier this year. In 2022/23 welfare expenditure in Great Britain is forecast to be around £243bn.

The Secretary of State's annual review of benefits and pensions for the tax year 2023/24 will commence in the autumn as per convention. Following the completion of her review the Secretary of State's decisions will be announced to Parliament in the normal way.

In terms of metrics for developing benefits level, there is no objective way of deciding what an adequate level of benefit should be, as everyone has different requirements. Income-related Benefit rates are not made up of separate amounts for specific items of expenditure, but rather strike the balance of fairness between those who fund the system and those who rely on it, ensuring that work pays for those who are able to work, and that additional support is available for those who cannot.

**Recommendation 6:** *The UK Government should take forward the recommendations of the In-Work Commissioner and review how the taper rate and work allowances can best support in-work progression. (Paragraph 14 and 96)*

### Response

The UK Government has already taken action in response to Baroness McGregor-Smith's report, commissioned by the Secretary of State, to significantly improve the work incentives in Universal Credit. Since last November, the UK Government has cut the Universal Credit taper rate from 63% to 55% and increased Universal Credit work allowances by £500 per year. These two measures mean 1.7m households will keep on average, around an extra £1,000 a year.

These changes represent an effective tax cut for low income working households in receipt of Universal Credit worth £1.9 billion a year in 2022-23. They will allow working households to keep more of what they earn and strengthen incentives to move into and progress in work. Moreover, work allowances have been further increased as part of the annual up-rating exercise in April.

**Recommendation 7:** *We welcome the extent of support that the UK Government provided during the pandemic, but we note that not all self-employed people were eligible. We welcome the UK Government's acknowledgement that it has "learned more" about the issues with capital limits and we would welcome more details from the DWP about the lessons it has learned. (Paragraph 15 and 108)*

### Response

There were various support mechanisms available to the self-employed, though eligibility will have varied according to how their enterprises were structured.

As for the Department for Work and Pensions, its support included the easement on the Minimum Income Floor. The report highlights that there is a misunderstanding about how Universal Credit capital limits apply to self-employed people. If someone has money in their account that is to be used for business purposes (including a forthcoming tax bill), it is already the case that Universal Credit does not count this towards their capital, although they may be asked to prove that the money is for business purposes.

The Department for Work and Pensions will seek to make this clearer for claimants in the future.

Sadly, the Department for Work and Pensions has also experienced a considerable increase in fraud.

**Recommendation 8:** *We would welcome information from the Wales Office about how it intends to facilitate the working relationship between the DWP and the Welsh Government going forward. (Paragraph 16 and 116)*

### Response

The Office of the Secretary of State for Wales is committed to continually improving its working relationships across Government with the aim of supporting the people of Wales in their day to day lives.

The Office of the Secretary of State for Wales will continue to advise and support the Department for Work and Pensions on matters impacting Wales, including ensuring that UK Government is delivering UK policy in Wales effectively, communicating policy decisions across Wales and providing advice on Welsh related matters. The Office of the Secretary of State for Wales works hard to ensure that UK Government policy across all departments benefits those living in Wales and that Welsh interests are considered in equivalence with other regions and nations across the UK.

We want to ensure the effective and smooth working of relationships between UK Government and Welsh Government to facilitate positive outcomes for people across

Wales. We recognise the importance of a good working relationship in delivering for the people of Wales and support continued collaboration between the Department for Work and Pensions and Welsh Government counterparts.

The Office of the Secretary of State for Wales will continue to support UK Government policy development for the benefit of Wales, including the continuation of the close working relationship the Office of the Secretary of State for Wales shares with the Department for Work and Pensions and other UK Government Departments. The Office of the Secretary of State for Wales is happy to work with all UK Government departments to facilitate and support conversations Welsh Government to advise on reserved matters. We will also continue the good collaborative work between the Office of the Secretary of State for Wales and Welsh Government counterparts.

**Recommendation 9:** *The two governments should establish a UK—Welsh government Inter-ministerial Advisory Board on Social Security. Such a Board could build on the good examples of joint working which were seen during the pandemic. Minutes of its meetings should be published. (Paragraph 18 and 118)*

**Recommendation 10:** *UK Government ministers should consult with the Welsh Government in advance of new social security policies being implemented, especially in areas linked closely to devolved areas of competence such as housing and skills. The UK-Welsh government Inter-ministerial Advisory Board on Social Security would be a suitable vehicle for managing these discussions. (Paragraph 19 and 119)*

## Response

The UK Government rejects these recommendations. The Department for Work and Pensions Ministers already have constructive engagement channels with Ministers in the Welsh Government on matters of mutual interest, and where areas of devolved and reserved power intersect. For example, the Minister for Employment recently met Vaughan Gething, MS, Welsh Government Minister for the Economy, to discuss how the Department for Work and Pensions could support the Welsh Government's employability strategy.

**Recommendation 11:** *The DWP and Welsh Government should work together with local authorities to run a take-up campaign on Pension Credit, with messaging designed to both raise awareness but also address any reservations some older people may have about claiming it. (Paragraph 21 and 123)*

## Response

The Department for Work and Pensions is undertaking a range of actions to raise awareness of Pension Credit and encourage eligible pensioners to claim, as part of a new national communications campaign, launched on 4 April. The campaign features promotional activity on social media and on search engines so that it features prominently on internet search results. In June, the campaign will extend to include advertising in regional and national newspapers.



The Department for Work and Pensions will also be producing and distributing leaflets and posters, which can be used across local communities as well as updating our digital toolkit with information and resources that any stakeholder can use to help promote Pension Credit.

The Department for Work and Pensions and Welsh Government officials engage regularly on respective Pension Credit take—up activities and details of the latest communications campaign have been shared through our well-established communication channels.

**Recommendation 12:** *The DWP and Welsh Government should work together to improve the signposting of benefits, grants, and allowances by producing a toolkit for Work Coaches. It should cover all devolved and local authority support. The DWP should report back to us in six months with an update on progress. (Paragraph 23 and 131)*

### Response

In Scotland, social security includes both reserved and devolved elements, so a toolkit was created to help work coaches navigate the situation for their claimants. Social security is reserved in Wales, so the need is not so apparent. However, the Department for Work and Pensions has worked with the Welsh Government on a variety of devolved and non-devolved schemes, helping to raise awareness of, and promoting these initiatives. This is part of the regular liaison set out in the Department for Work and Pensions and Welsh Government Concordat agreement.

The Department for Work and Pensions will continue to work with Welsh Government colleagues to discuss what improvements can be made in terms of the signposting of grants and allowances that are available.

**Recommendation 13:** *While we note the positive comments regarding the Welsh Government's response to the pandemic via the Discretionary Assistance Fund, we also heard concerns about the application process for various Welsh Government and local authority grants and allowances. We welcome the fact that the Welsh Government is seeking to streamline their systems and make the system more accessible. Should any of this work require DWP cooperation, then we urge both governments to work closely in order to deliver the best outcome for claimants. (Paragraph 24 and 132)*

### Response

This recommendation is for the Welsh Government.

**Recommendation 14:** *The UK Government should accept the In-Work Commissioner's recommendation to provide a credible in-work offer for all working benefit claimants. The UK Government should outline how it will take this work forward with the Welsh Government and report back to us in 12 months on the progress made. (Paragraph 27 and 138)*

### Response

The UK Government is committed to helping workers progress into higher pay. It will respond to Baroness McGregor-Smith's recommendations shortly.



In the latest Spending Review in October 2021, the UK Government announced that £99m would be allocated to provide around 2.1m low—paid benefit claimants with support to progress into higher—paid work.

Through a staged roll-out this year, more people who are in work and on low incomes, will be able to access work coach support to help them to increase their earnings and move into better paid quality jobs.

The support will focus on removing barriers to progression and providing career progression advice, such as considering skills gaps, identifying training opportunities, or looking for progression opportunities for the claimant in their current role or in a new role.

Jobcentres will be supported in this new role by Progression Champions working in every Jobcentre District. Progression Champions will work with key partners, including local government, employers, and skills providers to identify and develop local progression opportunities. They will also work with partners to address local barriers that limit progression such as childcare and transport.

**Recommendation 15:** *In the interests of the young people considering taking part in the Welsh Government's Basic Income pilot, the DWP and the Welsh Government should work together to conduct an impact assessment on the benefits received and the amount of taxes paid by the average potential participant [so people can make an informed decision on whether to participate]. (Paragraph 30 and 153)*

### Response

The Department for Work and Pensions has advised the Welsh Government how Universal Credit would be affected by payments under the proposed basic income pilot. HMRC has similarly advised about the treatment of taxation.

**Recommendation 16:** *It is important to make the distinction between devolving the administration of certain welfare benefits and the wholesale devolution of welfare and we recommend that, as a first step, the UK-Welsh Government Inter-ministerial Advisory Board on Social Security should undertake an assessment of the potential merits of devolving the administration of the same benefits to Wales as have been devolved to Scotland. (Paragraph 32 and 161)*

**Recommendation 17:** *In the event of the Welsh Government submitting formal proposals to the UK Government, the DWP should provide us with an update in 12 months regarding the nature and progress of its discussions with the Welsh Government. (Paragraph 33 and 162)*

### Response

The UK Government has no intention to devolve social security to the Welsh Government. The Committee's report acknowledges the advantages of the current system, highlighting its strength during the Covid response. The evidence gathered during the inquiry showed that attitudes to the idea of devolving social security to Senedd Cymru / the Welsh Parliament vary significantly in terms of policy, operational and funding implications.

## Appendix 2: Correspondence from the Welsh Government

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The Welsh Government welcomes the report published by the Welsh Affairs Committee on 17 March into the Benefits System in Wales. When implemented we hope that the recommendations from the Committee will encourage more people in Wales to claim all the financial support they are entitled to during the current cost of living crisis and beyond.

We also welcome the Committee's recommendations to work together with the UK Government on the specific issues which have a profound impact in Wales and for Welsh claimants.

We are pleased the Committee noted the impact on low-income households in Wales generated by the decision to end the £20 Universal Credit uplift payment. The Committee's recommendation that the payment should be re-introduced echoes the call that has been consistently made by Welsh Ministers. Welsh Ministers were disappointed that the Chancellor did not take the opportunity during his Spring Statement to help households struggling with the cost of living by reinstating the £20pw payment. The decision to only uprate 2022/23 benefit payment rates by 3.1% will mean a cut in income for some of the poorest households in Wales.

The Welsh Government agrees that the Committee's recommendations for the re-introduction of the £20pw payment and uprating social security benefits in line with the current rate of inflation (7%) would help people in Wales who are currently struggling with the cost of living crisis.

The Committee concludes that there is a lack of awareness around Pension Credit and we would welcome the opportunity, as recommended by the Committee, to work with the Department for Work and Pensions (DWP) in promoting awareness and improving take-up of Pension Credit in Wales.

We also know that more needs to be done to raise awareness of all benefit entitlements, both devolved and non-devolved and ensure people are supported to claim their entitlement to financial support. Last autumn, we launched our second national take-up campaign, to raise people's awareness of welfare benefits and encourage them to phone Advicelink Cymru to get the help they need to navigate the benefit system. The campaign is currently being delivered primarily on digital/social media platforms. However, from April the awareness raising messages will be delivered on all platforms, including, TV, radio, social media/digital, local/national newspapers, targeted leaflet / mail outs to key population groups.

We are pleased that the Committee has recognised the socio-economic profile and demographic profile in Wales and the challenges which this can generate for Welsh claimants. Again, we welcome the opportunity to work with DWP to ensure the Welsh context is considered in the DWP decision making processes and systems that can help to alleviate these issues.

Welsh Government and UK Government officials have been in discussions to confirm the welfare benefit and income tax implications for care leavers who participate in our Basic

Income pilot. As recommended by the Committee we would welcome the opportunity to work together with DWP to conduct an impact assessment on the benefits received and the amount of taxes paid by an average participant.

Welsh Ministers welcome the recommendation from the Committee that a UK and Welsh Government Interministerial Advisory Board on Social Security be established as this will provide a forum through which we can work more closely together, including on those policies which are devolved to Wales.

We will contact the DWP in order for this to be taken forward and update the Committee as this joint work is taken forward with the UK Government.