

Written evidence submitted by the Bevan Foundation (BSW0025)

Summary

The Bevan Foundation is Wales' most influential think-tank. We aim to end poverty and inequality. We are grateful for the opportunity to submit evidence to the Welsh Affairs Committee for its inquiry into the benefits system in Wales.

This summary provides an overview of the key points raised in our evidence. A more detailed response to the questions set by the committee is available below.

What are the key challenges for the benefits system in Wales and how do they differ from the other nations and regions of the UK?

- The UK Government's programme of welfare reforms such as the real terms cut in the value of benefits, the introduction of the 5 week wait for Universal Credit, the benefit cap and the two child limit mean that the benefit system no longer provides households with enough to cover their everyday needs.
- The key challenges for the benefits system in Wales are broadly similar to the key challenges in the other nations and regions of the UK. There are some demographic differences, however, that mean that some of the challenges facing the benefits system are more prominent in Wales.

Pre-pandemic, how effectively did the UK benefits system tackle poverty and socio-economic inequalities in Wales as compared to England and Scotland?

- There had been no progress in reducing poverty in Wales for more than a decade prior to the pandemic despite a significant increase in the number of people in work in Wales.
- The weakness of the benefits system is an important factor behind this lack of progress, with the situation in Wales being comparable to England and Scotland.

How has the COVID-19 pandemic changed the type and amount of support needed by people in Wales?

- The pandemic has led to more people needing support through the benefits system than was the case pre-pandemic. This is both a result of the economic and health effects of the pandemic.
- The pandemic has deepened economic inequalities with low income households more likely to be affected by the economic impact of the pandemic. The proposed cuts to the social security system could further entrench these inequalities.

How effectively has the UK benefits system responded to these needs, and what else should the UK Government do to deliver the right support in Wales?

- The pandemic has shown that the UK benefits system can be changed to provide a better safety net for everyone. Actions taken by both the UK and Welsh Governments such as the £20 uplift to Universal Credit and the provision of support in lieu of Free School Meals has provided families with a vital lifeline throughout the pandemic.

- It is important that we learn from this experience and take action to further improve the social security system to ensure that it provides an adequate safety net for everyone.

How effectively do the Welsh Government's allowances and grants meet the particular needs of people in Wales?

- The Welsh Government's allowances and grants play a vital role in supporting low income families in Wales and have mitigated some of the worst effects of the UK Government's welfare reform programme.
- There is scope to improve these grants and allowances. We are calling for a Welsh Benefits System, which would streamline the administration of the disparate allowances and grants into a more coherent system and reform them to ensure that they better meet people's needs.

What reforms are needed to the benefits system and should there be further devolution of powers?

- We believe that there are three vital reforms to the UK social security system: maintaining the £20 a week increase to Universal Credit, removing the two child limit and ending the five-week wait.
- On devolution, those benefits which have a near-universal entitlement for certain groups of people such as state pensions, child benefit, maternity benefit and statutory sick pay should remain the responsibility of the UK Government. Where benefits are inextricably linked with devolved responsibilities (e.g. the housing element of Universal Credit, Personal Independence Payment), devolving administrative powers (such as determining Broad Market Rental Areas) would ensure better alignment and outcomes.

How effectively do the UK and Welsh Governments work together in the delivery of benefits in Wales?

- We believe that there is scope for the UK and Welsh Governments to work better on an administrative level. This includes matters such as improving data sharing procedures to enable more claimants to be passported from one benefit to another.

What are the implications of the Universal Basic Income pilot in Wales?

- We are not in a position to provide detailed comment about the Universal Basic Income pilot in Wales at present given the lack of information about what shape that pilot is likely to take. Our response sets out a series of questions we believe should be considered when designing the pilot.

Bevan Foundation response Welsh Affairs Select Committee inquiry into benefits in Wales

The Bevan Foundation is Wales' most influential think-tank. We aim to end poverty and inequality by working with people to find effective solutions and by inspiring governments, organisations and communities to take action. We are grateful for the opportunity to submit evidence to the Welsh Affairs Committee for its inquiry into the benefits system in Wales. Our extensive work on poverty and inequality provides us with some insights into how the benefits system operates in Wales and its impact on poverty. Our response draws on this experience and will address each of the questions raised by the Committee in turn.

What are the key challenges for the benefits system in Wales and how do they differ from the other nations and regions of the UK?

The benefits system should provide us all with a safety net, but the system as currently designed leaves too many people short. There is already a significant body of evidence that demonstrates how the benefits system is failing to provide people with enough to enjoy a decent standard of living.

The benefit freeze saw the real terms value of many benefits drop significantly prior to the pandemic.¹ Even with the temporary increases introduced in response to Covid 19, the benefits system provides people with less support than it did a decade ago.² These real terms cuts to the value of benefits combined with other welfare reforms such as the 5 week wait for Universal Credit, the benefit cap and the two child limit mean that the benefit system no longer provides households with enough to cover their everyday costs,³ with thousands pushed into real hardship.⁴

Many of these weaknesses impact households in Wales in a very similar way to households in other parts of the UK. There are some demographic differences, however, that mean that some of the challenges facing the benefits system are more prominent in Wales whilst others are less prominent, than across the UK as a whole.

One area where there is an important difference between Wales and the rest of the UK is with regards to housing. The Welsh Affairs Committee found in 2014 that the UK Government's under-occupancy policy, (better known as the bedroom tax) proportionately affected more housing benefit claimants in Wales due to the fact that there were fewer one and two bedroom properties available than across Great Britain.⁵ This remains a problem seven years later with approximately 15 per cent of social housing tenants in Wales who are in receipt of Housing Benefit or the housing element of

¹ Joseph Rowntree Foundation, *UK Poverty 2019/ 20* (February 2020) available at - <https://www.jrf.org.uk/report/uk-poverty-2019-20-social-security>

² Joseph Rowntree Foundation, *Keep the lifeline: Why the UK Government should keep the £20 uplift to Universal Credit* (January 2021) available at - <https://www.jrf.org.uk/report/keep-lifeline-why-government-should-keep-20-uplift-universal-credit>

³ Resolution Foundation, *Half measures, The Chancellor's options for Universal Credit in the Budget* (February 2021) available at - <https://www.resolutionfoundation.org/app/uploads/2021/02/Half-measures.pdf>

⁴ Trussell Trust, *Trussell Trust data briefing on end-of-year statistics relating to use of food banks: April 2020 – March 2021* (April 2021) available at - https://www.trusselltrust.org/wp-content/uploads/sites/2/2021/04/Trussell-Trust-End-of-Year-stats-data-briefing_2020_21.pdf

⁵ House of Commons Welsh Affairs Committee, *The impact of changes to housing benefit in Wales, Second Report of Session 2013-14*, (October 2014) available at - <https://publications.parliament.uk/pa/cm201314/cmselect/cmwelaf/159/159.pdf> (the bedroom tax only came into effect in Northern Ireland in 2017 so is excluded from the comparison)

Universal Credit being affected by the bedroom tax compared with 12 per cent of social housing tenants across Great Britain.⁶

Another important area of difference between Wales and the UK is disability. There are two important differences between Wales and the rest of UK with regards to disability. First, a higher proportion of people in Wales are disabled than across the UK. In Wales, 23.6 per cent of working age adults were disabled in 2020 compared to 21.6 per cent across the UK.⁷ Second, disabled people in Wales are less likely to be in work than elsewhere in the UK. Fewer than half of disabled people in Wales are in work (49.5 per cent) compared with 54.5 per cent across the UK as a whole.⁸ This means that weaknesses within the benefits system such as problems with the assessment process for disability benefits,⁹ and the inadequacy of financial support more generally disproportionately affects people in Wales.

In other areas, demographic differences mean that weaknesses with the benefits system have a less significant impact. The benefit cap for example, affects proportionately fewer households in Wales than it does across Great Britain. In Wales, 2 per cent of households who receive Universal Credit were hit by the benefit cap in February 2021 compared to a GB average of 3.5 per cent and 6.9 per cent in London. This is likely to be the result of rents in Wales being cheaper than elsewhere in the UK.¹⁰ For the nearly 6,000 households in receipt of Universal Credit or Housing Benefit in Wales who are affected by the benefit cap, however, it still presents significant challenges.

Pre-pandemic, how effectively did the UK benefits system tackle poverty and socio-economic inequalities in Wales as compared to England and Scotland?

There had been no progress in reducing poverty in Wales for more than a decade prior to the pandemic, with the poverty rate in 2017/18 to 2019/20 standing at 23 per cent, the same as it did in 2007/08 to 2009/10.¹¹ This replicates the picture seen in England and Scotland where the proportion of people living in poverty has remained broadly unchanged at 22 per cent and 19 per cent respectively.¹² There are multiple reasons for this lack of progress, with the benefits system being an important factor.

Poverty rates among people who are in receipt of income related benefits in Wales stands at 45 per cent, thirty percentage points higher than those not in receipt of income related benefits.¹³ This is likely to be, at least in part, the result of the reforms that have been made to the benefits system which has made it less generous over the past decade. Analysis undertaken by the Resolution Foundation for example, found that the real terms value of out of work benefits was £3,800 a year

⁶ Bevan Foundation analysis based on February 2021 data available on Stat Xplore

⁷ Annual population survey, *Percentage aged 16-64 who are EA core or work-limiting disabled*, January to December 2020, accessed via Nomis

⁸ Annual population survey, *Employment rate aged 16-64 - EA core or work-limiting disabled*, January to December 2020, accessed via Nomis

⁹ Z2K, *People before process, The state of disability benefits assessments and the urgent need for reform*, (April 2021) <https://www.z2k.org/wp-content/uploads/2021/05/FINAL.pdf>

¹⁰ Bevan Foundation analysis based on February 2021 data available on Stat Xplore

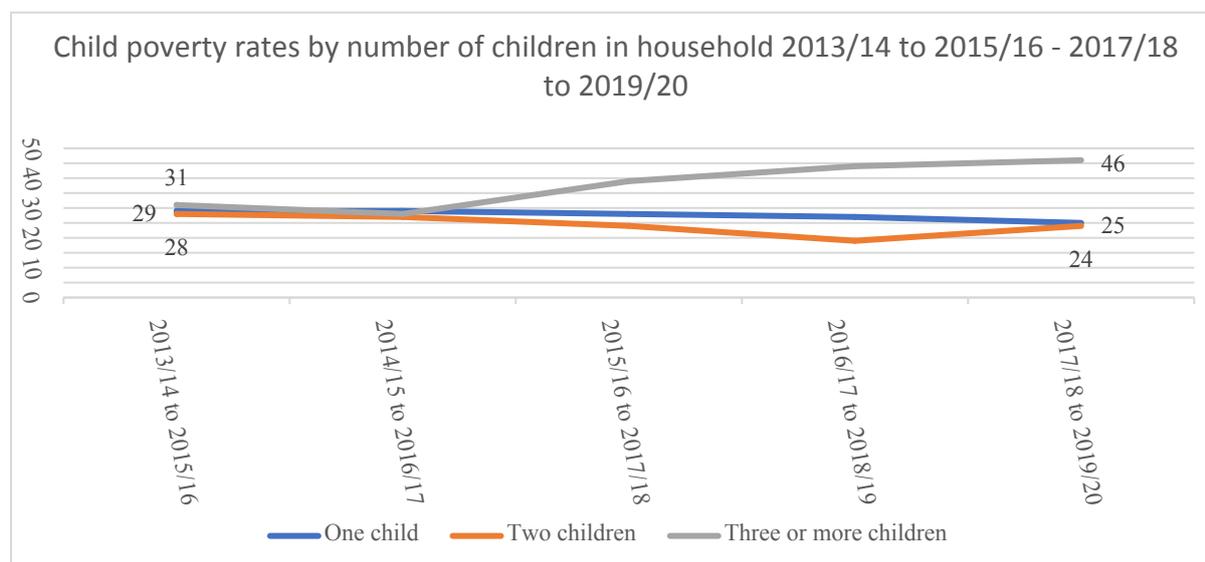
¹¹ Stats Wales, *Percentage of all individuals, children, working-age adults and pensioners living in relative income poverty for the UK, UK countries and regions of England between 1994-95 to 1996-97 and 2017-18 to 2019-20 (3 year averages of financial years)* <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/householdbelowaverageincome-by-year>

¹² *ibid*

¹³ Joseph Rowntree Foundation, *Poverty in Wales 2020*, (November 2020) available at - <https://www.jrf.org.uk/report/poverty-wales-2020>

lower in real terms in 2019/20 than in 1991/92.¹⁴ Such a cut has put pressure on thousands of households.

The impact of specific welfare reforms on poverty can also be seen from the latest data. Nowhere is this demonstrated more clearly than with regards to the two child limit on Universal Credit. The two child limit was introduced in April 2017. As can be seen from the chart below the policy change has had a significant impact on poverty rates in larger families.



Source: Stats Wales, Children in relative income poverty by number of children in the household <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/childreninrelativeincomepoverty-by-numberofchildreninthehousehold>

Sampling issues cannot be discounted as factors behind this increase¹⁵ but with similar trends across the rest of the UK,¹⁶ it appears likely that the two child limit and the benefit cap (which disproportionately affects larger families) are significant factors that explain the surge in poverty in larger families over recent years.

The benefits system has had an impact on poverty in Wales in other ways over recent years. In the last decade the number of people in work in Wales increased by 100,000.¹⁷ Over the same period however, the number of people living in poverty in working households has also increased, with nearly half of all people living in poverty in Wales living in a household where at least one person is in work.¹⁸ There are a number of reasons why the increase in the number of people working has not led to a reduction in the poverty rate. Wales has a lower rate of pay for every sector than in the rest

¹⁴ Resolution Foundation, *The benefit freeze has ended, but erosion of the social security safety net continues* (October 2019) available at -

<https://www.resolutionfoundation.org/app/uploads/2019/10/Benefits-erosion-spotlight-1.pdf>

¹⁵ The data for 2014/15 shows historically low rates of children living on relative low-incomes which is not in keeping with the data gathered in the years prior of after it.

¹⁶ Child Poverty Action Group, *The two child limit now affects almost one million children – and it is being implemented when poverty is rising for larger families* (July 2020) available at - <https://cpag.org.uk/news-blogs/news-listings/two-child-limit-now-affects-almost-one-million-children>

¹⁷ Annual Population Survey, 12 months to December 2010 and 12 months to December 2020, accessed via Nomis

¹⁸ Stats Wales, *Working age adults in relative income poverty by economic status of household* available at <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/workingageadultsinrelativeincomepoverty-by-economicstatusofhousehold>

of the UK.¹⁹ The rise of insecure work is also likely to have had an impact. Given that work is not a guaranteed route of poverty for too many, it is clear that the benefits system, as currently designed, does not provide an adequate safety net for those trapped in such circumstances.

Another way that the benefits system has had an impact on poverty and inequality in Wales is with regards to housing costs. As was set out above, the bedroom tax has had a disproportionate impact on Wales due to the nature of its housing stock. Changes made to the Local Housing Allowance (LHA) have also had an impact.

The LHA determines how much support people living in the private rental sector are entitled to receive through the benefits system. The LHA should provide people living in private rental sector with enough support to cover the cost of rent in the cheapest 30 per cent of housing, but new research that is soon to be published by the Bevan Foundation has found that only 4.8 per cent of the rental homes currently on the market are affordable at LHA rates.²⁰ This has had a devastating impact on households in Wales. Research undertaken by Policy in Practice has found that for every 1,000 households experiencing a shortfall between their LHA rate and rent, 44 households will require temporary accommodation.²¹ Data from the ONS showed that homelessness in Wales increased by 12% in households without children in recent years.²²

It is clear that there is significant scope for improving the benefits system to ensure that it plays a role in solving poverty and inequality.

How has the COVID-19 pandemic changed the type and amount of support needed by people in Wales?

We believe that the pandemic has changed the type and amount of support needed by people in Wales in two ways.

First, the pandemic has led to more people needing support through the benefits system than was the case pre-pandemic. There are two factors driving this change.

The economic impact of the pandemic has seen thousands of people in Wales become unemployed. The number of people claiming Job Seekers Allowance or Universal Credit and who are required to seek work has increased from 55,325 in June 2019 to 96,640 in June 2021.²³ The 2021 figure is actually an improvement on the situation in June 2020 when the claimant count stood at 114,615,²⁴ but with the furlough scheme due to come to an end in September, and with 88,500 employments still furloughed in Wales on May 31st²⁵ there are concerns that any progress made could be put into reverse. The concerns about the impact of these job losses are heightened further given that there is now a body of evidence that shows low paid workers have been more likely to be furloughed or to

¹⁹ JRF n13

²⁰ Research due to be published in September 2021

²¹ Policy in Practice, *Evidencing the link between the Local Housing Allowance freeze and homelessness*, (February 2020) available at - <https://policyinpractice.co.uk/new-analysis-evidencing-the-link-between-the-local-housing-allowance-freeze-and-homelessness/>

²² Office for National Statistics, *UK Homelessness 2005 to 2018* (September 2019) available at -

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/ukhomelessness/2005to2018>

²³ Claimant Count, accessed via Nomis

²⁴ ibis

²⁵ Welsh Government, *Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme statistics: 1 July 2021* (July 2021) available at - <https://gov.wales/coronavirus-job-retention-scheme-and-self-employment-income-support-scheme-statistics-1-july-2021>

lose their job as a result of the pandemic.²⁶ This means that such workers will have very little financial resilience to manage a drop in their income.

The health effects of the pandemic may also lead to an increase in the number of people who have to rely on the benefits system. On the one hand, thousands of people in Wales have seen treatments postponed or cancelled. In April and May 2021, there were 595,272 “patient pathways” waiting to start treatment in Wales, the highest recorded figure since comparable data was first collected in 2011.²⁷ Delays at such a scale are likely to mean that many people’s conditions have deteriorated before they receive treatment, putting them at greater risk of not being able to return to work and therefore having to rely on the benefits system either in the short or longer term. On the other hand, the affects of long Covid may also push people out of work. There is no universally agreed definition of long Covid, but data gathered by the ONS shows that 196,000 people across the UK reported in March 2021 that their ability to undertake day to day activities had been limited by “a lot” since testing positive for Covid 19, highlighting the potential scale of the problem.²⁸

A second way in which the pandemic has changed the type and amount of support people need in Wales is through deepening existing inequalities. Our recently published *A snapshot of poverty in spring 2021* report demonstrated that whilst more than one in five households with a net income of less than £20,000 have seen their incomes fall between January and May 2021, one in five households with an income of more than £40,000 have seen their incomes increase.²⁹ Whilst incomes have been dropping, many key living costs have been increasing which has led to a real squeeze on living standards. Over 110,000 households in Wales, about the same as the number of households in Swansea, struggle to cover the cost of everyday essentials.³⁰

The impact of these pressures on people’s lives is perhaps best highlighted when looking at housing security. Our *A snapshot of poverty in spring 2021* report found that more than one in ten households are either worried about the prospect of losing their home over the next three months or have already been notified that they will lose their home.³¹ Approximately 80,000 households have already been forced to seek a new home.³² We have heard from local authority officers that there are concerns that the situation could deteriorate further with a buoyant housing market encouraging many landlords to sell, pushing up rents.

The actions taken to date with regards to the benefits system risks exacerbating rather than improving this situation. With the decision to freeze the LHA already taken, thousands of Welsh households already struggling with their housing costs could see their position deteriorate further. Cutting Universal Credit by £20 a week will lead to a huge reduction in income for a group that has already been disproportionately likely to have been negatively affected by the pandemic.

²⁶ For example, Wales Fiscal Analysis, Cardiff University, *Covid 19 and the Welsh economy: shut down sectors and key workers* (June 2020) available at -

https://www.cardiff.ac.uk/_data/assets/pdf_file/0009/2409921/Covid_economy_report_1_Final_rep.pdf

²⁷ Welsh Government, *NHS activity and performance summary: April and May 2021*, (June 2021) available at - <https://gov.wales/nhs-activity-and-performance-summary-april-and-may-2021-html>

²⁸ Office for National Statistics, *Prevalence of ongoing symptoms following coronavirus (COVID-19) infection in the UK: 1 April 2021*, (April 2021) available at -

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/prevalenceofongoingsymptomsfollowingcoronaviruscovid19infectionintheuk/1april2021>

²⁹ Bevan Foundation, *A snapshot of poverty in spring 2021* (June 2021) available at -

<https://www.bevanfoundation.org/wp-content/uploads/2021/06/Snapshot-of-poverty-in-spring-2021.pdf>

³⁰ *ibid*

³¹ *ibid*

³² *ibid*

How effectively has the UK benefits system responded to these needs, and what else should the UK Government do to deliver the right support in Wales?

The pandemic has shown that the UK benefits system can be changed to provide a better safety net for everyone. Actions taken by the UK Government such as increasing Universal Credit by £20 a week and increasing LHA has provided households with a vital lifeline at a difficult time.

Actions taken by the Welsh Government in response to the pandemic have also provided families with vital support. For example, the Welsh Government's decision to provide families eligible for Free School Meals with £19.50 a week over the holidays and whilst schools have been closed has had a real positive effect on the lives of children trapped in poverty. The increased investment in the Discretionary Assistance Fund has also provided vital additional support.

It is important that the UK Government builds from the success of its actions over the last year and a half and further strengthens the benefits system rather than withdrawing support. This includes making the £20 a week uplift to Universal Credit permanent and reversing its decision to refreeze LHA.

To develop a just benefits system, we believe the UK Government should go further. The benefit cap, for example, meant that some families did not fully benefit from the increase in Universal Credit or the increase in LHA. The Universal Credit uplift also did not apply to people in receipt of many legacy benefits, it is vital that this gap is addressed with everyone seeing their benefits increasing to a level that more adequately meets people's needs. Other concerns with the present system identified in our response such as the two child limit, the 5 week wait and the assessment process for disability benefits, should also be addressed if we are to develop a safety net that ensures that everyone can live with dignity and respect.

How effectively do the Welsh Government's allowances and grants meet the particular needs of people in Wales?

The Welsh Government's allowances and grants play a vital role in supporting low income families in Wales and have mitigated some of the worst effects of the UK Government's welfare reform programme. The Bevan Foundation has recently undertaken extensive research into the operation of these allowances and grants which highlights just how significant a role they play in improving people's lives.

Prior to the pandemic we estimated that more than £400m was spent annually by the Welsh Government on various grants, allowances and in-kind provision where eligibility is restricted to people on low income.³³ To put this figure in context, this is about the same as the Department for Work and Pensions expenditure on Job Seekers Allowance Universal Credit in Wales in 2018/19.³⁴ The total expenditure is likely to have increased significantly since we undertook our calculations with the additional investment made by the Welsh Government into DAF, Free School Meals and other grants and allowances as a result of the pandemic.

Our research found that people are broadly very positive about the support that is provided through these grants and allowances, many of which are no longer available in England.³⁵ We did find

³³ Bevan Foundation, *A Welsh Benefits System, how it can solve poverty*, (September 2020) available at - <https://www.bevanfoundation.org/resources/a-welsh-benefits-system/>

³⁴ *ibid*

³⁵ There is no national English equivalent of the Discretionary Assistance Fund for example with support

however, that there is scope to make these grants and allowances operate in a more effective way. Our research found that there are four main weaknesses with the system that is currently in place:

- **Eligibility criteria** differ from scheme to scheme, with the threshold for accessing support often set at a level that locks out people living in poverty.
- It can be **difficult to access** all grants and allowances with households often being required to submit multiple applications to different bodies to access all the support they are entitled to.
- The **value of support** is not always sufficient. The Education Maintenance Allowance for example provides young people from low income families in post 16-education with £30 a week in support. This figure is unchanged since 2004/05. Had this increased in line with inflation it would now stand at £45 a week.
- There are still some **gaps in provision** which mean that households are forced to go without support.³⁶

Prior to the Senedd election we called on all parties to commit to develop a Welsh Benefits System, which would pull together the disparate allowances and grants into a more coherent system, and reform them to ensure that they provide people with adequate support.³⁷ We are pleased to see that some progress is being made by the Welsh Government towards achieving this, but there is scope to go further.

As part of this process we believe that it is vital that DWP engage with the Welsh Government positively. We heard, for example, that one barrier to developing a more automated Welsh Benefits System are concerns about data sharing. Such an approach could lead to increased take up, with claimants having to submit fewer application forms, but we heard that GDPR concerns mean that data is not always shared between the DWP, the Welsh Government and local authorities. Working together to overcome these concerns could allow a Welsh Benefits System to better complement the support provided by the UK Government.

What reforms are needed to the benefits system and should there be further devolution of powers?

As already set out in our response we believe that it is vital that the UK Government does not cut Universal Credit by £20 a week this autumn. As we have set out, the increase has provided families with a vital lifeline and taking that away will push thousands into real hardship, the majority of whom will be working families.³⁸ At the same time we believe that it is important that the UK Government extends the uplift to other, legacy benefits and takes the decision to reverse the freeze to LHA.

On top of this we believe that it is vital that the UK Government take action to address many of the other weaknesses within the benefits system which have been well documented. The recent publication of the UK Government's *Shaping future support: the health and disability green paper* provides is a welcomed opportunity to revisit the support that is available for disabled people.³⁹ We

provided by local authorities instead

³⁶ *ibid*

³⁷ Bevan Foundation, *A Better Future for the People of Wales: a programme for transformation* (February 2021) available at <https://www.bevanfoundation.org/resources/better-future-for-wales/>

³⁸ Joseph Rowntree Foundation, *UK heading for the biggest overnight cut to the basic rate of social security since World War II*, (July 2021) available at - <https://www.jrf.org.uk/press/uk-heading-biggest-overnight-cut-basic-rate-social-security-world-war-ii>

also believe that it is vital that the two child limit on Universal Credit is removed, that the benefit cap is reviewed and that the five week wait for Universal Credit is removed if we are to develop a truly just system.

In 2016 we published a report looking at whether benefits for working age people should be devolved to Wales.⁴⁰ We considered some of the advantages and disadvantages of devolving powers over welfare benefits and concluded that whilst some aspects of the welfare benefits system could better meet the needs of the people of Wales if powers were fully devolved, other aspects of the system could be more effectively managed if only administrative powers were devolved, whilst some benefits were best remaining reserved to the UK Government.

Since the publication of the report there have been significant changes to the UK's welfare benefits system, in particular the roll out of Universal Credit. The findings of the original Bevan Foundation report remain relevant, however.

We suggest that there is a series of questions that the Committee should consider. The first is whether devolving powers over a welfare benefit to Wales would strengthen alignment between social security benefits and powers that have already been devolved to Wales. In a 2018 report the Bevan Foundation found evidence that Universal Credit impacts on as many as ten different devolved policy areas.⁴¹ Our latest work on the Welsh Benefits system has highlighted that there are some significant issues at the interface of the two systems.⁴² Devolving powers over some welfare benefits to Wales could allow the Welsh Government to better manage the interaction between the social security system and devolved policy areas. For example, devolving administrative powers over the Local Housing Allowance (such as the power to determine Broad Market Rental Areas) could allow LHA to work more effectively within the Welsh context.

A second consideration is whether devolving powers over a welfare benefit to Wales would provide claimants with a greater opportunity to shape the system. One of the key arguments in favour of establishing the Senedd was that it would move decision making closer to the people. Devolving powers over welfare benefits could also offer similar advantages. For example, following the devolution of powers over welfare benefits to Scotland, the Scottish Government have established a claimant panel of some 2,500 claimants to gather their views on policy proposals and to gather their experiences of engaging with the welfare benefits system.⁴³ With a wealth of research suggesting that people's experiences of interacting with the welfare benefits system on a day to day basis matters greatly to them, having an opportunity to develop a more sympathetic approach in Wales could be a significant advantage of devolving further power to the Senedd.

Third, a key consideration is the financial implications of the decision. Fiscal accountability was one of the key reasons why powers over taxation were recently devolved to Wales, and there are similar

³⁹ Department for Work and Pensions, *Shaping future support: the health and disability green paper* (July 2021) available at - <https://www.gov.uk/government/consultations/shaping-future-support-the-health-and-disability-green-paper/shaping-future-support-the-health-and-disability-green-paper>

⁴⁰ Bevan Foundation, *Making welfare work for Wales: Should benefits for people of working age be devolved?* (June 2016) <https://www.bevanfoundation.org/publications/making-welfare-wales-benefits-people-working-age-devolved/>

⁴¹ Bevan Foundation, *Universal Credit: Implications for devolved policies and services*, (November 2018) available at - <https://www.bevanfoundation.org/publications/universal-credit-implications-for-devolved-policies-and-services/>

⁴² Bevan Foundation n(33)

⁴³ Presentation by Dr Jim McCormick and Deborah Hay at the Bevan Foundation's seminar on devolving powers over the administration of Universal Credit to Wales.

arguments in favour of devolving some powers over welfare benefits. If through their policies the Welsh Government is able to reduce expenditure on a particular benefit – e.g. by increasing employment of disabled people or reducing housing costs - the Welsh Government should benefit.

At the same time, full devolution of powers potentially brings the risks of additional and potentially significant costs. In our 2016 report, we highlighted that devolving benefits that reflect the economic cycle of a particular risk.⁴⁴ The Welsh economy is relatively sensitive to cyclical changes that are beyond the control of the Welsh Government, so there would be some risks from devolving full powers over JSA (and the UC equivalent) to Wales. The report did highlight, however, that devolving powers over other forms of benefit such as housing benefit and the housing element of Universal Credit would present a lower risk, and could result in financial gains. More recent analysis by the Wales Governance Centre has found that devolving similar powers over welfare benefits to Wales as has been devolved to Scotland, on the same financial settlement, could lead to a £200 million a year budget surplus for the Welsh Treasury by 2023-24.⁴⁵

The final question that we believe that must be considered is the possible impact on the UK's social union. It has been argued that devolving benefits could weaken the social union, leading to citizens in Wales having different rights from citizens elsewhere in the UK.⁴⁶ However, divergence in the NHS and in the education system is long established and has not eroded a common entitlement. This concern has been further weakened by the devolution of some welfare benefits to Scotland, which means that there is already degree of variation.

We believe that there is a distinction to be made between those benefits which are arguably part of the 'social contract' e.g. benefits which have a near universal entitlement for certain groups of people such as state pensions, child benefit, maternity benefit and statutory sick pay, and those which are variable top-up payments designed to support people in specific circumstances, e.g. to manage high housing costs. We believe that there are strong arguments for the former category of benefits to remain the responsibility of the UK Government, whilst there is scope to explore further devolution with regards to the latter category.

How effectively do the UK and Welsh Governments work together in the delivery of benefits in Wales?

We are not in a position to comment on how effectively the UK and Welsh Governments work together in the delivery of benefits at a political level. As outlined above however, we have uncovered some evidence that there may be room for improvement on an administrative level.

Prior to the roll out of Universal Credit, Housing Benefit was administered by local authorities in Wales. This allowed local authorities to link Housing Benefit with other locally administered benefits such as the Council Tax Reduction Scheme and Free School Meals to maximise take up. During our research on the Welsh Benefits System, however, we heard that given that the housing element of Universal Credit is now administered by the DWP this makes it harder for local authorities to ensure that households are receiving all the support they are entitled to, given concerns around GDPR.⁴⁷ Indeed, research undertaken by the Welsh Government has demonstrated that there had been a reduction in the number of households claiming CTRS prior to the pandemic, with the fact that

⁴⁴Bevan Foundation n(40)

⁴⁵ Wales Fiscal Analysis Unit, Cardiff University, *Devolving welfare: How well would Wales fair* (April 2019) available at https://www.cardiff.ac.uk/_data/assets/pdf_file/0010/1476352/devolving_welfare_final2.pdf

⁴⁶ For example see the Welsh Government's evidence to the Silk Commission

⁴⁷ Bevan Foundation n(33)

households in receipt of the housing element of Universal Credit were not auto enrolled onto CTRS being one likely reason for this.⁴⁸

Through our research we found that some local authorities are already undertaking innovative work in this area to allow them to ensure that households in receipt of Universal Credit are also provided with support administered by local authorities. We think there is scope however, to explore greater collaboration between the DWP, Welsh Government and Welsh local authorities to ensure all households receive all the support that they are entitled to.

What are the implications of the Universal Basic Income pilot in Wales?

We are not in a position to provide detailed comment about the Universal Basic Income pilot in Wales at present given the lack of information currently available in the public domain about what shape that pilot is likely to take. We do believe, however, that there are some important questions that must be addressed before any pilot of UBI is commenced.

The first of these questions is what would be the value of any UBI payments? Will the payments be set at a level so that they act as a supplement to existing social security payments or act as a replacement?

Related to these questions is what will be the interaction between any UBI pilot and the existing social security system? Could those who take part in the trial be worse off due to a reduction in their benefit payments from DWP?

A further question to consider is whether the UBI pilot will take into account varying personal and household needs? Disabled people and households with children, for example, face additional living costs. The current social security reflects this by providing such households with additional payments, will the UBI pilot do the same?

A final set of questions that the Welsh Government must address is how would it ensure that any UBI pilot does not increase income inequality without substantial changes in the tax system, and how will it meet the costs of the pilot?

Given the current suggestion that a UBI pilot will be restricted to care leavers, concerns about the impact of UBI on issues such as income inequality may be less pronounced than if a pilot was rolled out more broadly. We believe that it is important, however, that the Welsh Government considers each of these questions as it designs its pilot as, if the pilot is successfully, these are questions that will need to be addressed before implementing the policy.

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⁴⁸ Welsh Government, *Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales: Final Report* (July 2020) available at <https://gov.wales/universal-credit-council-tax-reduction-scheme-and-rent-arrears-wales-final-report>