

## **Written evidence submitted by the Department for Work and Pensions (BSW0051)**

### **Background**

The Wales Act 2017 sets a reserved powers model. Social security, pensions and child maintenance remain reserved to the UK Government. This position is unchanged in Wales since devolution began.

This evidence relates to policy and delivery decisions within the remit of the Department for Work and Pensions (DWP), which delivers reserved services in Wales. Skills is devolved to the Welsh Government, where similar support to sector-based work academies is available through the Welsh Government's 'Employability Skills Programme' for claimants in Wales.

Most of the Department's routine work with the Welsh Government is ensuring devolved and reserved areas work effectively together in operational delivery, e.g., labour market support (reserved) and skills (devolved).

### **Q1: 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?**

DWP's pandemic response has shown the strength of the economic firepower the UK Government can deploy for the benefit of all citizens. DWP has dealt with new claims for Universal Credit increasing by 98% (3 million people) since March 2020. DWP has met this challenge without a gap in service largely due to this being a modern digital system – a testament to 10 years of investment by the UK Government. Without this investment, it is unlikely the system could have coped with such a surge in demand without leading to gaps in provision. There are now more than 6 million people on the Universal Credit caseload. Additionally, even before the pandemic, the UK Government was providing unprecedented levels of support, ensuring a safety net for 22 million citizens.

DWP has adapted some of its services to comply with the Welsh Government's social distancing measures. For example, DWP's Jobcentres and partners, as well as employers in Wales, have reduced the number of face-to-face interactions with people. DWP has strived to maximise face-to-face delivery, and all safe space is being utilised.

Limited access to transport is a barrier to labour market participation in Wales that disproportionately affects those who are on lower incomes or out of work. For example, many of those living in rural areas<sup>1</sup> and the South Wales valleys have poor transport links and transport is often infrequent. Additionally, recent figures show that of workers aged 16-74 in Southeast Wales, only 8.8% travelled by train, bus, minibus or coach. Limited transport as a barrier to work is frequently raised in conversations between claimants and DWP Work Coaches working in Wales. For example, Bluestone in South Wales recently offered several Kickstart opportunities but, due to limited transport links, customers were unable to take up the opportunities. Although transport is devolved to the Welsh Government, DWP has provided support to the Welsh Government in this area. DWP has used its Flexible Support Fund to support customers with costs of transportation to work where possible. DWP has also been key to influencing the introduction of Transport for Wales Fflecsi Bus Service which operates across rural communities to help people with essential trips, such as work or shopping for essentials.

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<sup>1</sup> Around 1 in 3 people in Wales live in an area classed as rural

On 1 July 2021, the Independent In-Work Progression Commission, commissioned by the Secretary of State for Work and Pensions, published its report into the barriers facing those in low-pay jobs across the UK. The report makes recommendations in both reserved and devolved areas, including skills, childcare and transport. It also makes recommendations for employers across the UK. The UK Government will consider the recommendations and respond later in the year. The Commission engaged with the Welsh Government in researching its report, and has included best practice examples from Wales.

**Q2: Pre-pandemic, how effectively did the UK benefits system tackle poverty and socio-economic inequalities in Wales as compared to England and Scotland?**

This UK Government has long championed the principle of work as the best route out of poverty and towards financial independence. This approach is based on clear evidence about the importance of employment, particularly where it is full-time, in substantially reducing the risks of poverty and in improving long-term outcomes for families and children.

The latest data for 2019/20 shows that, before the pandemic, the UK was in a strong position overall with record levels of employment and household incomes seeing their strongest annual growth for nearly 20 years. In the three years to 2019/20 absolute poverty (before housing costs) for individuals, children and pensioners in Wales fell compared to the three years to 2009/10. This follows similar trends in England and Scotland.

In 2019/20, children in households where all adults were in work were around six times less likely to be in absolute poverty (before housing costs) than children in a household where nobody works.

The UK Government's focus on getting people into full-time work was, and continues to be, underpinned by Universal Credit. Universal Credit incentivises the entry into work, offers smooth incentives to increase hours and sets a general expectation that people should be in work. More information on Universal Credit and other forms of DWP Labour Market Support in Wales are covered in response to Question 3.

Once in work, the UK Government knows that people need the right skills and opportunities to progress in their role so they can increase their earnings and build a career. As noted above, the independent In-Work Progression Commission, launched in March 2020, published its report on the barriers to progression for those on persistent low pay on 1 July 2021. The UK Government will consider its recommendations carefully before responding later in the year. The Welsh Government is encouraged to do the same.

**Q3: How has the COVID-19 pandemic changed the type and amount of support needed by people in Wales?**

Since the start of the pandemic, the welfare system has been at the forefront of what the UK Government has done to protect lives and livelihoods across the UK. During the early days of the pandemic there was a herculean effort to ensure people received UK Government support – primarily through Universal Credit. DWP has provided a crucial safety-net to record levels of claimants, including processing nearly 5.6 million new claims to Universal Credit from across the UK between March 2020 and January 2021. DWP continues to deal with the impact of the pandemic and support claimants across Great Britain, through an increased workforce of 13,500 Work Coaches across Great Britain. This includes recruiting 696 Work Coaches in Wales<sup>2</sup>.

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<sup>2</sup> Figure last updated on 16 July 2021

In response to the pandemic, the UK Government introduced temporary changes to Statutory Sick Payment (SSP) to support individuals to self-isolate in line with public health guidance. This includes the temporary suspension of waiting days for specific sickness absence related to COVID-19 so that SSP is payable from the first day of work missed, rather than the fourth. Those employees who were classed as Clinically Extremely Vulnerable were eligible for SSP during the time shielding advice was in place. This was intended as a safety net for individuals, in cases where their employer chose not to furlough them under the Coronavirus Job Retention Scheme and did not have other suitable policies in place.

The UK Government also introduced a six-month extension of the temporary £20 a week uplift in Universal Credit, with eligible Working Tax Credit claimants receiving a one-off payment of £500. New claim advances are available urgently if a claimant needs financial help and can be applied for by phone or online. It allows claimants to access up to 100% of their estimated Universal Credit payment upfront.

In addition, the UK Government is funding £140m of Discretionary Housing Payments to support those who are most in need on Housing Benefit and the Housing Element of Universal Credit to stay in their homes. Citizens Advice Help to Claim was launched on 1 April 2019 through local Citizens Advice offices and continues to offer trusted, independent, tailored, practical support to help people make a Universal Credit claim and receive their first full correct payment on time. It is available across England, Wales and Scotland, through local Citizens Advice services.

At the beginning of the pandemic, there was a large increase in the number of households in receipt of Universal Credit in Wales. The rate of increase in Universal Credit caseload in the last few months has returned to levels we might have expected as households continue to move across from legacy benefits.

The pandemic required an urgent change in the way DWP's redundancy support was delivered to ensure support was safely provided to employers and individuals facing redundancy. An example of this was DWP's work with Careers Wales to deliver its redundancy offer through a digital platform. Through this work, DWP was able to maintain distance support, one-to-one advice and fully engage with employers to ensure they and their workforce were guided through the full package of support available from both DWP and the Welsh Government.

Since the onset of the pandemic, DWP has increased use of its Digital Channel delivery in Wales, responding to the restrictions on in-person delivery. DWP and its contracted and non-contracted partners adopted the Digital Channel approach in Spring 2020, and have only recently explored reducing this method of delivery as in-person support becomes more possible. DWP has also seen an increase in requests and usage of mental health provision for its customers, as well as demand and delivery of digital skills capability-building.

DWP's Flexible Support Fund is being used in innovative ways to help support customers in Wales to overcome barriers such as transport, monetary crisis, mental health, self-employment support, digital skills, and access to broadband.

Intuitive Thinking Skills, a partner of DWP, have been delivering a Self-Employment Mentoring Service in Wales for Jobcentre Plus. The service is designed for Universal Credit claimants whose businesses have been negatively impacted by the pandemic. It aims to provide support with re-evaluating and transitioning their businesses to be resilient despite Covid-19 restrictions. Each referred claimant completes six sessions over four weeks with a

Specialised Business Mentor over Zoom. Claimants are supported with the management of business needs and personal impacts to their mental health and wellbeing.

**Q4: How effectively do the Welsh Government's allowances and grants meet the particular needs of people in Wales?**

This is a matter for the Welsh Government.

**Q5: What reforms are needed to the benefits system and should there be further devolution of powers?**

As noted above, the benefit system – and Universal Credit in particular – responded well to the pandemic, benefitting from the measures that were put in place by the Welfare Reform Act 2012 and subsequent reforms introduced by the UK Government. With respect to further devolution of powers, the UK Government does not see a need for this. The Wales Act 2017 creates a stable, clearer and longer lasting Welsh devolution settlement under which social security remains reserved to the UK Government.

The UK Government's response to the pandemic is testament to the benefit of a shared system across Great Britain, ensuring financial help is provided to those most in need in the face of economic shock. A single labour market needs support from a system of financial support for job seekers that provides a common framework in terms of level of support, conditions to be met in return for that support, and access to employment and training opportunities. This is delivered through Universal Credit and associated employment provision, operated locally by Jobcentre Plus to reflect both local labour markets and the differing needs of individual people. This is not just to ensure a coherent system across a single labour market, with equal treatment regardless of geographical location – although that is important to avoid some of the difficulty that can arise, for example, when reserved and devolved systems that work alongside each other adopt different approaches to similar issues. But it also allows for a pooled-risk system that flexes to accommodate asymmetric economic circumstances in different parts of Great Britain. This system has responded well to the challenges of the pandemic, whose economic effects have been felt everywhere, but even more acutely in some sectors and localities.

DWP and the Welsh Government work together collaboratively, ensuring devolved and reserved areas work effectively together. For example, most of the Department's routine work with the Welsh Government is in operational delivery around labour market support (reserved) and skills (devolved).

**Q6: How effectively do the UK and Welsh Governments work together in the delivery of benefits in Wales?**

The UK Government uses the Barnett Formula to fund the Welsh Government to deliver skills support, services and grants and support initiatives using its own powers.

DWP measures the impact of its services to communities in Wales using DWP datasets, undertaking regular performance reviews of provision and services, local labour market information and key stakeholder engagement activity. In order to align its provision/services, DWP conducts regular dialogue with the Welsh Government at both policy and operational level. Examples of key engagement strategies with the Welsh Government at Group level include well established meetings at Director level; operational liaison with policy and delivery officials and working groups across policy and operational areas of DWP. In addition, meetings on an ad hoc basis as required, district engagement with all the Regional Skills Partnerships, local partnership liaison with Careers Wales and Local Authorities in Wales.

The Welsh Government delivers DWP policies through a funded delivery arm of its Working Wales Service: Careers Wales. It supports Kickstart by working with DWP's local teams to design a pre-Kickstart customer offer of wraparound support for individuals. Following a pilot in West Wales, the 50% increase in referral to application rates has led to the offer being rolled out across Wales.

DWP and the Welsh Government work closely together on training provision, including for DWP employees in Wales. For example, the Welsh Government's Disabled People Into Work team has funded training from the Wales National Autism Team for Jobcentre Plus and Disability Services staff to increase awareness of autism. In response to the pandemic, DWP has worked with the Welsh Government to improve signposting to the Discretionary Assistance Fund (DAF) to increase take up and raise awareness of the flexibilities applied to the eligibility criteria. The DAF, funded by the Welsh Government, offers non-repayable Emergency Assistance Payments and Individual Assistance Payments.

DWP continues to work closely with the Welsh Government on the delivery of employment support programmes in Wales.

**Q7: What are the implications of the UBI pilot in Wales?**

The UK Government considers a Universal Basic Income (UBI) to be fundamentally the wrong approach for the UK and sees no justification for removing targeting of support as this will likely have a negative impact on the most vulnerable in society. A UBI does not target support at those in greater need and fails to take into account the significant additional costs faced by many individuals, such as those with disabilities, or those with childcare responsibilities. Furthermore, it does not incentivise work and any practical implementation is likely to be hugely expensive, requiring significant tax increases across the board.

International evidence indicates too that a UBI is the wrong approach. A recent national trial of UBI in Finland was not extended, with the Finnish Finance Minister stating at the time that the "case was closed" for a Universal Basic Income and that there "must be conditionality in the social security system."

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