

# The state of welfare

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## As the UK Government begins the biggest overhaul of the benefits system in 60 years, how will Wales cope with the impacts?

Wales has the highest dependency on welfare in Britain, with nearly 19 per cent of the working age population on benefits, compared to the British average of 15 per cent.

The UK Government's package of reforms will alter the fundamental principles of the welfare system, changing it from a structure that supports social solidarity into one that provides a greater incentive to work than to stay on benefits. The primary aim of the reforms is to ensure that people who are unemployed and on benefits do not receive more than average earnings.

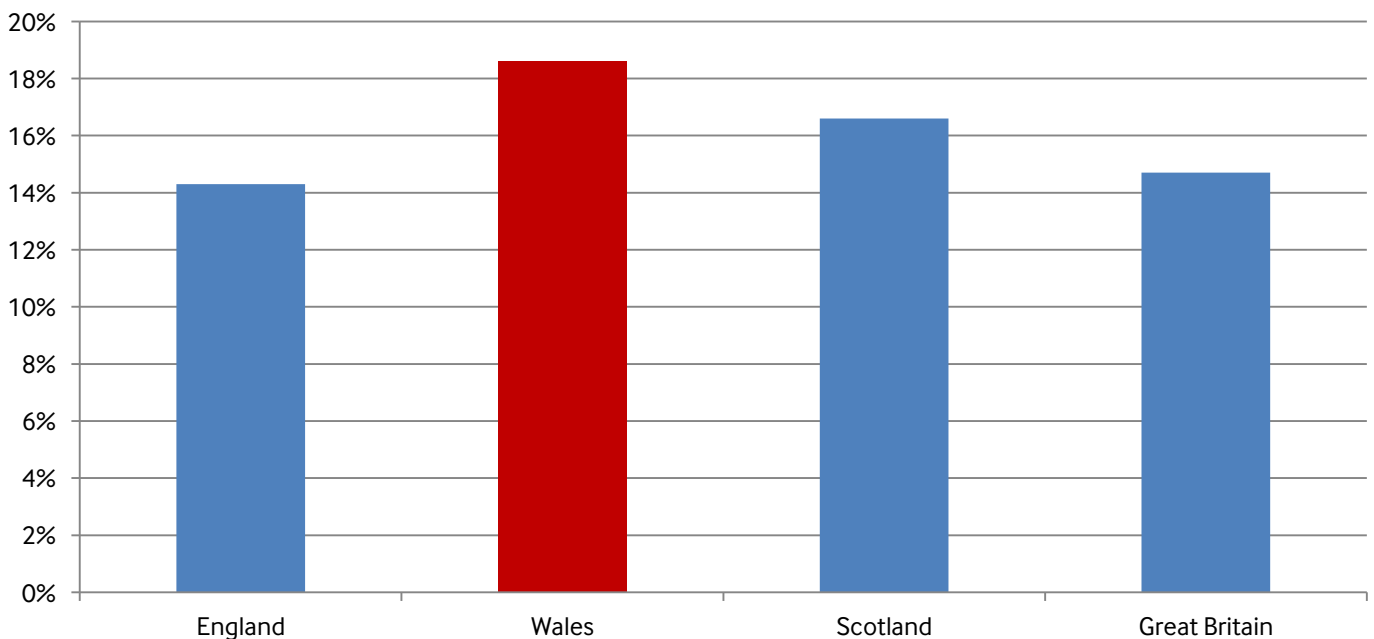
This has raised questions about the shortage of jobs, an issue that is more pronounced in some parts of Wales than in Britain as a whole.

Currently there is an average of 5.7 claimants for every Jobcentre vacancy in Britain, but in parts of south Wales this figure is as high as 17.

When these figures are coupled with Wales' higher than average reliance on public sector jobs and large population of disabled and older people, it is evident that welfare reform is likely to be high on the political agenda in Wales for some time to come.

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### Percentage of working age population on benefits



Source: DWP

## UK welfare reforms

The UK Government's reforms intend to simplify the benefits system, save money on administration and improve work incentives.

The *Welfare Reform Bill 2011* introduces:

- a single 'universal credit' to come into force in 2013;
- tax changes to enable people to keep more income;
- changes to the Disability Living Allowance (DLA);
- a review of sickness absence levels;
- sanctions for those refusing to work, including a maximum three year loss of benefits; and
- an annual benefit cap of about £26,000 per family.

## Will it work in Wales?

There has been criticism over the lack of detail in the UK Government's reforms, and it has been said that they over-simplify a necessarily complex system.

The move away from collective provision to individualism may not sit comfortably alongside many existing Welsh Government policies, which are more concerned with social justice and inclusion.

The issue the new Welsh Government may have to address is their lack of access to devolved legislative levers in influencing welfare policy, which means that efforts will have to be concentrated on using levers that they do have access to, such as economic development and social welfare, in order to respond to the effects of UK Government policy. The limits of devolution mean that Scotland and Wales have 'social policy parliaments' that do not have influence over social security.

## Universal credit

The major proposal for reform is the introduction of a new benefit from October 2013, to be known as universal credit.

- universal credit will replace a range of existing out of work benefits and in work tax credits, including Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, and Tax Credits.
- universal credit will be a single, monthly, household payment, which will be withdrawn at a uniform rate of 65 pence for each pound of net earnings for claimants who are in work (known as a 'taper' rate). For certain groups an amount will be 'disregarded' from their earnings before the taper applies.

## A greater impact in Wales?

Changes to certain benefits are likely to have a greater impact in Wales than in England because of different demographic and economic factors.

***Wales has the highest percentage of disabled people in Britain, and nearly 10 per cent of the entire working age population are on Employment and Support Allowance (ESA) or Incapacity Benefit (IB)***

Long term sick and disabled people in Wales may particularly feel the effects of the reforms. Wales has the highest percentage of disabled people in Britain, and nearly 10 per cent of the entire working age population are on Employment and

Support Allowance (ESA) or Incapacity Benefit (IB).

The welfare reforms have a particular focus on moving people off incapacity benefits, and all claimants will be reassessed in order to more effectively target support. The UK Government is also hoping to achieve a 20 per cent reduction in Disability Living Allowance (DLA), replace it with a Personal Independence Payment (PIP) and reassess all claimants. If the reassessments in Wales lead to a large number of people moving from disability and incapacity benefits onto Jobseekers Allowance (JSA), this could significantly increase the number of jobseekers chasing vacancies.

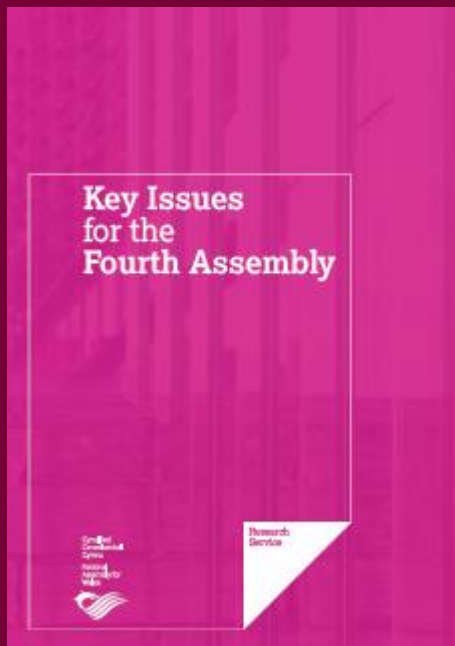
The reforms will also affect housing. The Welsh Government's impact assessment of the housing benefit changes noted that private sector claimants in Wales who began claiming after 2008 will lose an average of £9 per week. This will affect 48,530 claimants, and 78 per cent of these people will lose between £5 and £15 a week. After the introduction of universal credit, housing benefit will be abolished and the housing element of universal credit will be administered centrally by the Department for Work and Pensions instead of by local authorities; some have argued that this could lead to a loss of local housing market knowledge.

## **Welfare devolution**

The centralisation of the welfare system appears to contrast with the UK Government's drive for localism. As the devolved administrations of Wales and Scotland face higher unemployment, greater numbers of disability benefit claimants and areas with high ratios of jobseekers to vacancies, the case for welfare devolution (or localisation) has been suggested by groups such as the Institute for Public Policy Reform (IPPR).

Although the Scottish Government is calling for some powers over benefits to be devolved, and welfare is already devolved in Northern Ireland, no such plans are on the agenda in Wales. It remains to be seen how the Assembly deals with the UK Government's proposals and how they will impact on policy decisions in the fourth Assembly.

# Article taken from Research Service publication



## Key Issues for the Fourth Assembly

This document has been specially prepared for Assembly Members by the Research Service. It sets out some of the key issues likely to matter to Members during the Fourth Assembly.

**[Key Issues for the Fourth Assembly](#)**

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