

The impact of welfare reform on left behind Britain

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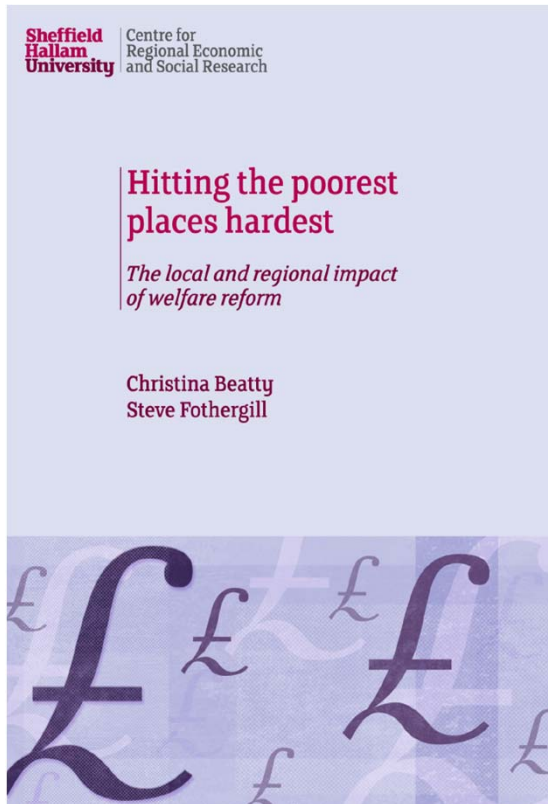
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Cambridge

 **@CBeatty_CRESR**

Overview

- **Welfare reform agenda**
 - not fully implemented yet
- **Uneven impact of welfare reform**
 - cumulative impact
 - national policy with local impacts
- **What does this mean for left behind Britain?**

Basis of the talk - updated figures 2019



Papers:

Beatty, C and Fothergill, S. (2018) 'Welfare reform in the United Kingdom 2010–16: Expectations, outcomes, and local impacts'. *Social Policy and Administration*, Vol 52(5) pp950-968

Beatty, C. and Fothergill, S. (2017) The impact on welfare and public finances of job loss in industrial Britain. *Regional Studies, Regional Science*, Vol. 4: 1.

Beatty, C. and Fothergill, S. (2014) 'The local and regional impact of the UK's welfare reforms'. *Cambridge Journal of Regions, Economy and Society* vol 7 (1) pp63-79.

Methods

- **Our updated estimates are firmly grounded in:**
 - HMRC budget announcements - all since 2010
 - DWP Impact Assessments and Equality Impact Assessments
 - Pre-2015 reforms updates in subsequent budgets and out-turn figures
 - Post-2015 reforms takes into account U-turns since original announcements
 - OBR 2016, 2018 and 2019 Welfare Trends report
- **Government administrative statistics**
 - NOMIS, DWP STAT-XPLORE, HMRC, ONS
- **See statistical appendices of reports and papers for all details of reforms, data sources and methods**
- **Document the impacts, not comment on merits**

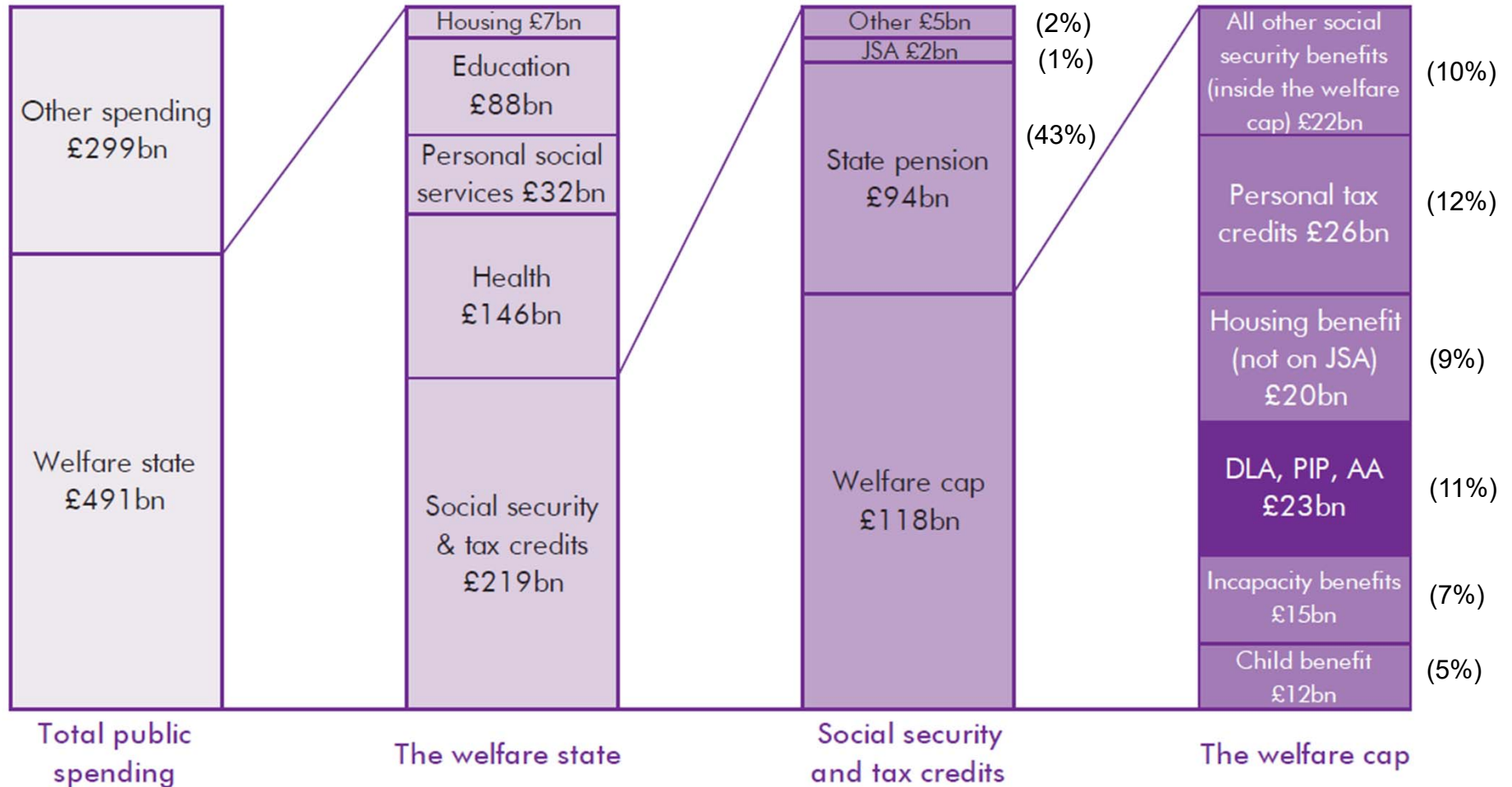
The welfare reform agenda

Welfare reform and austerity

- **1997-2010 Labour Government**
 - Welfare reform is not new - underway pre-2010
 - Need a modern welfare state: Welfare to Work, New Deals, 'rights and responsibilities', increased conditionality, making work pay
- **2010-2015 Coalition Government**
 - welfare reform became synonymous with welfare cuts
 - major overhaul of entire working age welfare system
 - incentivise work, job activation tool
 - **Universal Credit** - single benefits payment system to replace main working age income related benefits
- **2015 Conservative Government**
 - another major package of reforms
 - not fully implemented yet
- **2016 onwards**
 - change in rhetoric, some u-turns, but fundamentally continues

Deficit reduction plan? Incentivising work?

Figure 1.1: UK welfare spending in context (2017-18)



Not to scale

Source: DWP, ONS, OBR

Source: Office for Budget Responsibility: Welfare Trends Report 2019

The end of austerity?

“A decade after the financial crash, people need to know that the austerity it led to is over and that their hard work has paid off.”

Theresa May, Tory Party Conference, October 2018

Not there yet - Universal Credit

- **Simplified single payment system for main working age means tested benefits**
- **Original plans: new claimants from 2013, all by 2017**
- **Actual**
 - Live Service gradual for new claimants from 2013
 - Full Service gradual for new claimants from 2016-2018
 - Managed migration of legacy benefit claimants?
 - End date 2023?
- **Originally planned to be relatively fiscally neutral**
 - **BUT** significant cuts via Work Allowances, Minimum Income Floor, 2 child limit, disability premium, family premium etc
- **Inherits reductions to legacy benefits**
- **Currently 1.5 million households**
- **Eventually 7 million households**

Cumulative impact

Pre-2015 reforms - GB

- **Ten key working age reforms:**
 - **Housing costs:** Local Housing Allowance, 'Bedroom Tax', non-dependant deductions, Council Tax Support, Benefit Cap
 - **Sickness and disability benefits:** Employment and Support Allowance (ESA), *Personal Independence Payment (PIP)*
 - **Low pay and family:** Tax Credits, *Child Benefit*
 - **Cost of living:** RPI to CPI, 1 per cent cap
- **Forecast saving by full-implementation in 2015/16**
£23.9bn p.a.

Estimated annual financial loss from pre-2015 reforms

	Loss (£m pa)
Tax Credits	4,210
CPI uprating	4,200
Child Benefit	3,030
1 per cent uprating	2,700
Housing Benefit: LHA	1,670
Employment and Support Allowance	600
Council Tax Support	370
Housing Benefit: 'bedroom tax'	360
Non-dependant deductions	210
Benefit cap	100
TOTAL	17,450

Source: Sheffield Hallam estimates based on official data

Post-2015 reforms - GB

- **Six key working age reforms:**
 - **Housing costs:** mortgage interest support, lower benefit cap
 - **Sickness and disability benefits:** Remove ESA WRAC, *PIP*
 - **Low pay and family:** Tax Credits and Universal Credit (remove 2+ children and family elements, Work Allowances, Minimum Income Floor for self-emp., +ve increase in Taper, childcare costs)
 - **Cost of living:** 4 year Benefit Freeze (including LHA rates)
- **U-turns:** Delay in Tax Credit cuts, PIP adaptations, pay-to-stay, LHA in SRS, remove HB entitlement from 18-21 year olds, 6 week UC wait reduced to 5
- **Forecast saving by full-implementation in 2020/21 originally £12.9bn**

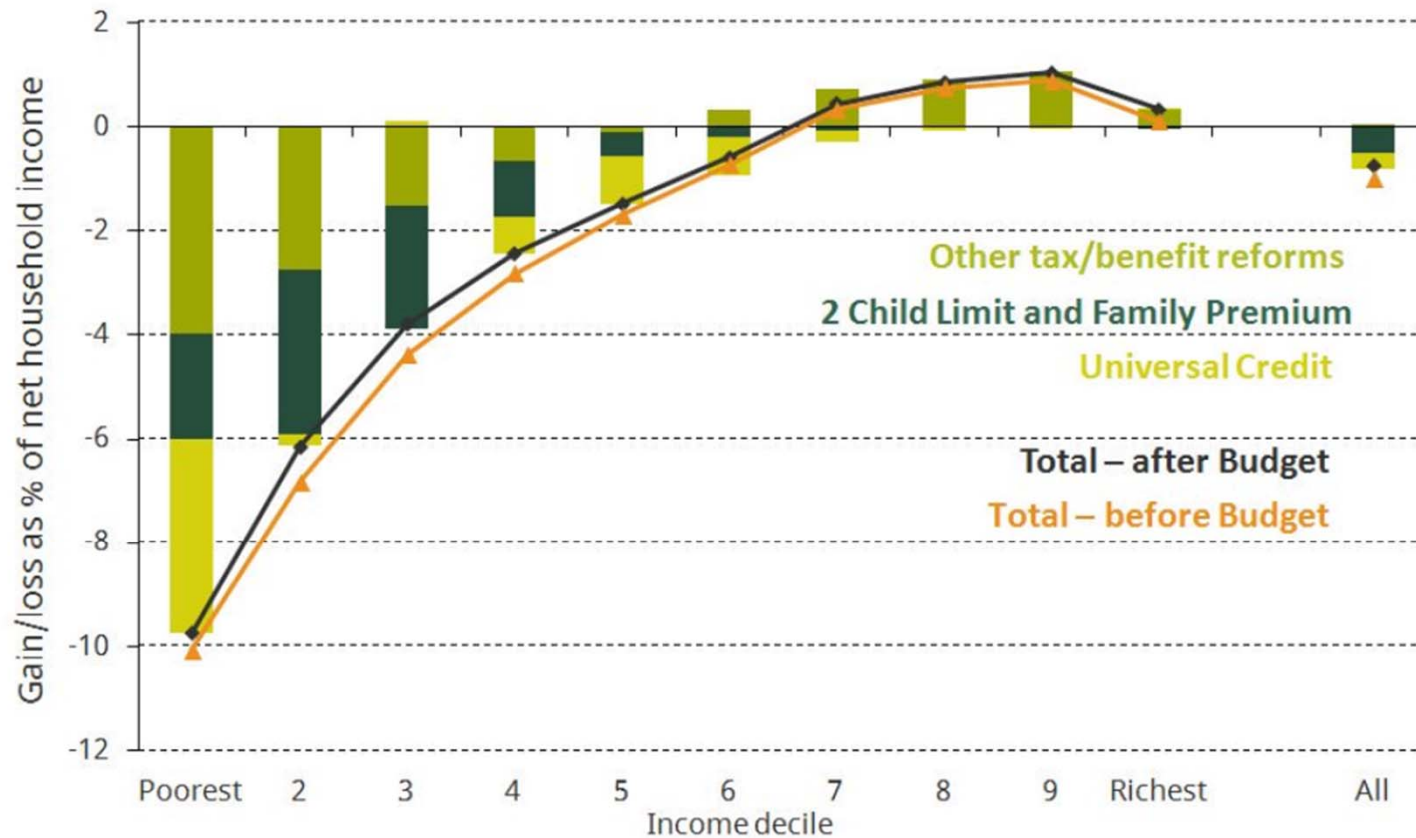
Post-2015 reforms: financial loss to claimants, GB by 2020-21

	Estimated loss £m p.a.
Benefit freeze	3,580
Universal Credit +Tax Credits	3,380
Benefit Cap extension	340
Mortgage interest support	245
Employment & Support Allowance	205
TOTAL	7,750

Source: Sheffield Hallam estimates based on official data

Poorest hit the hardest

Long run impact of personal tax/benefit reforms since 2015



Note: All bar includes adjustment to Scottish block grant that is not included in decile impacts

Source: IFS, Impact of 2018 Budget

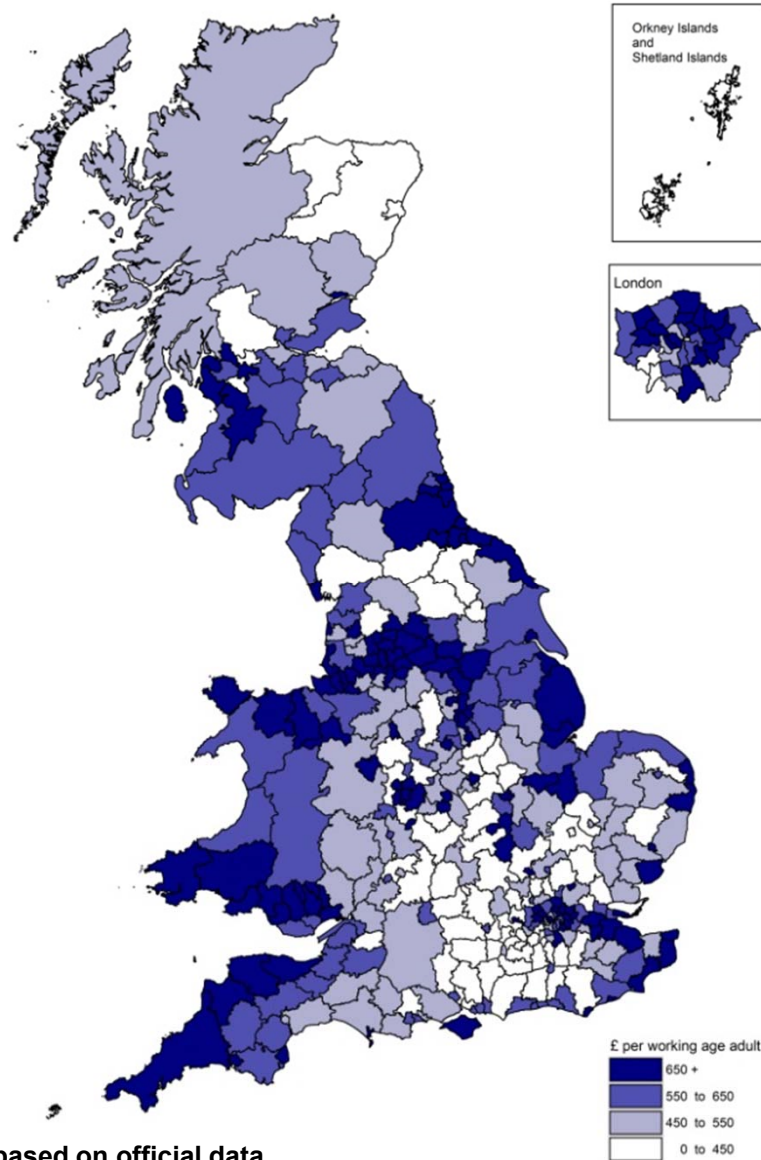
Uneven impact on places

Estimated annual financial loss by 2020/21 from post-2010 reforms, by region

	Loss per working age adult £ p.a.
North East	720
North West	720
Wales	690
Yorkshire and the Humber	680
West Midlands	680
London	680
East Midlands	600
South West	570
Scotland	560
East	550
South East	510
Great Britain	620

Source: Sheffield Hallam estimates based on official data

Uneven impact by place: Anticipated loss by 2020-21 from post-2010 reforms



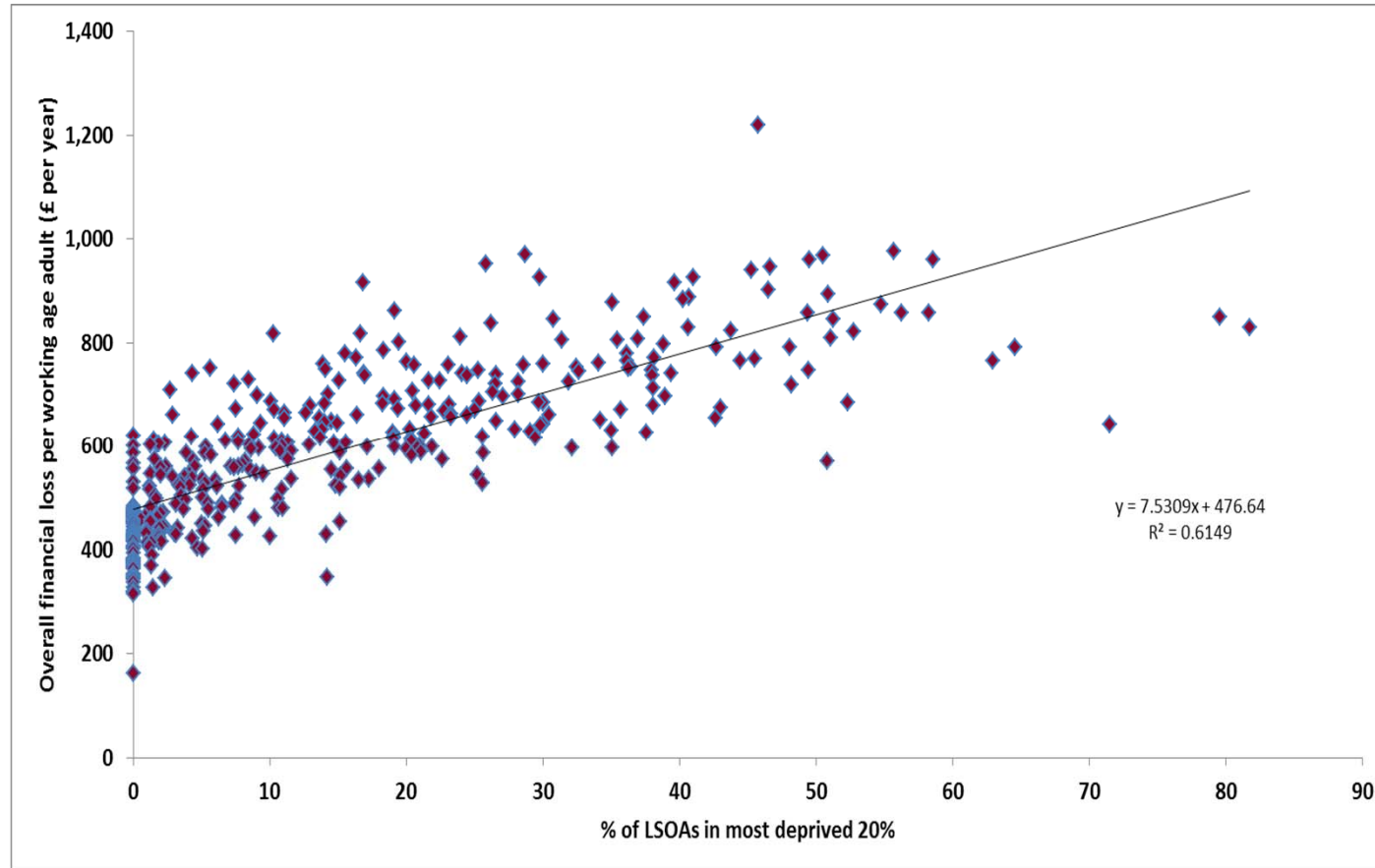
Source: Sheffield Hallam estimates based on official data

Worst and least affected districts: Post-2010 reforms

Rank	Local authority	Loss per working age adult	Rank	Local authority	Loss per working age adult
1	Blackpool	1,220	364	Runnymede	350
2	Middlesbrough	980	365	South Cambridgeshire	350
3	Enfield	970	366	South Bucks	350
4	Blackburn with Darwen	970	367	South Oxfordshire	350
5	Knowsley	960	368	Aberdeen City	350
6	Barking and Dagenham	960	369	Rutland	350
7	Brent	950	370	Aberdeenshire	340
8	Burnley	950	371	Mole Valley	340
9	Hastings	940	372	Winchester	340
10	Thanet	930	373	South Northamptonshire	340
11	Bradford	930	374	Wokingham	330
12	Hyndburn	920	375	Cambridge	330
13	Torbay	920	376	Shetland Islands	320
14	Hartlepool	900	377	Guildford	320
15	Hull	890	378	Hart	310

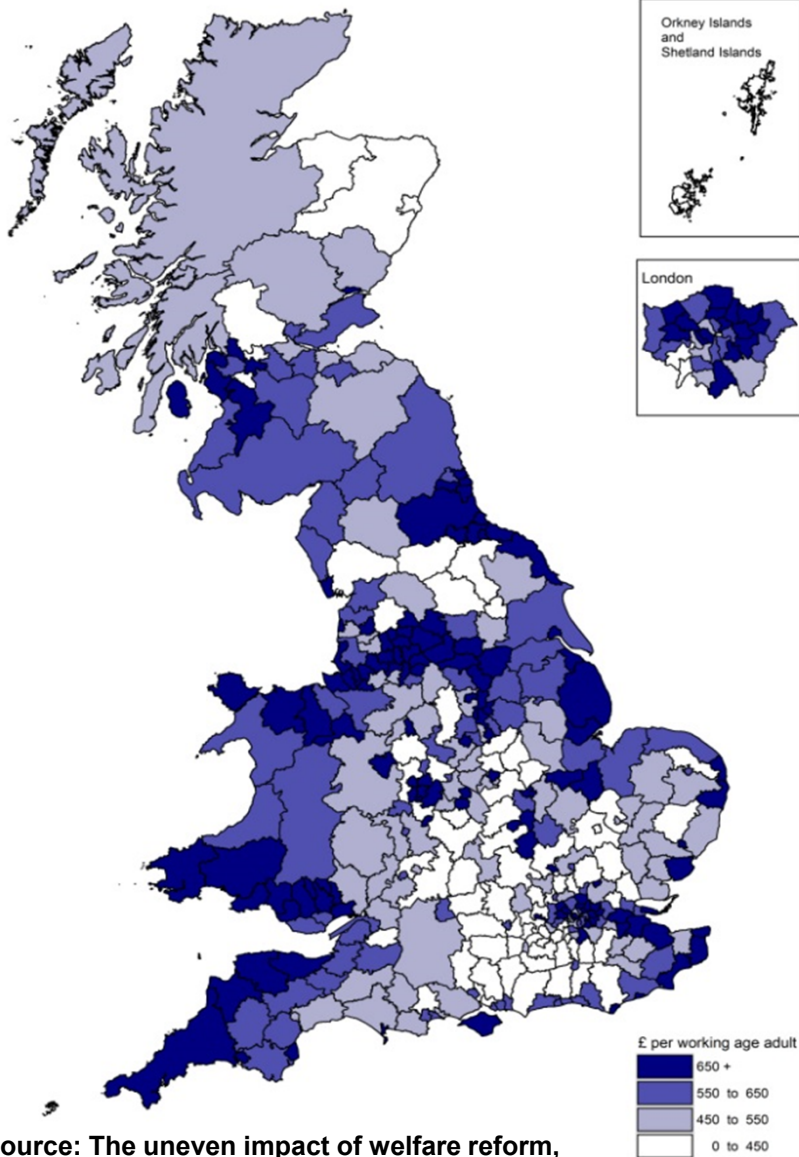
Source: Sheffield Hallam estimates based on official data

Hitting the poorest places hardest: Post-2010 reforms



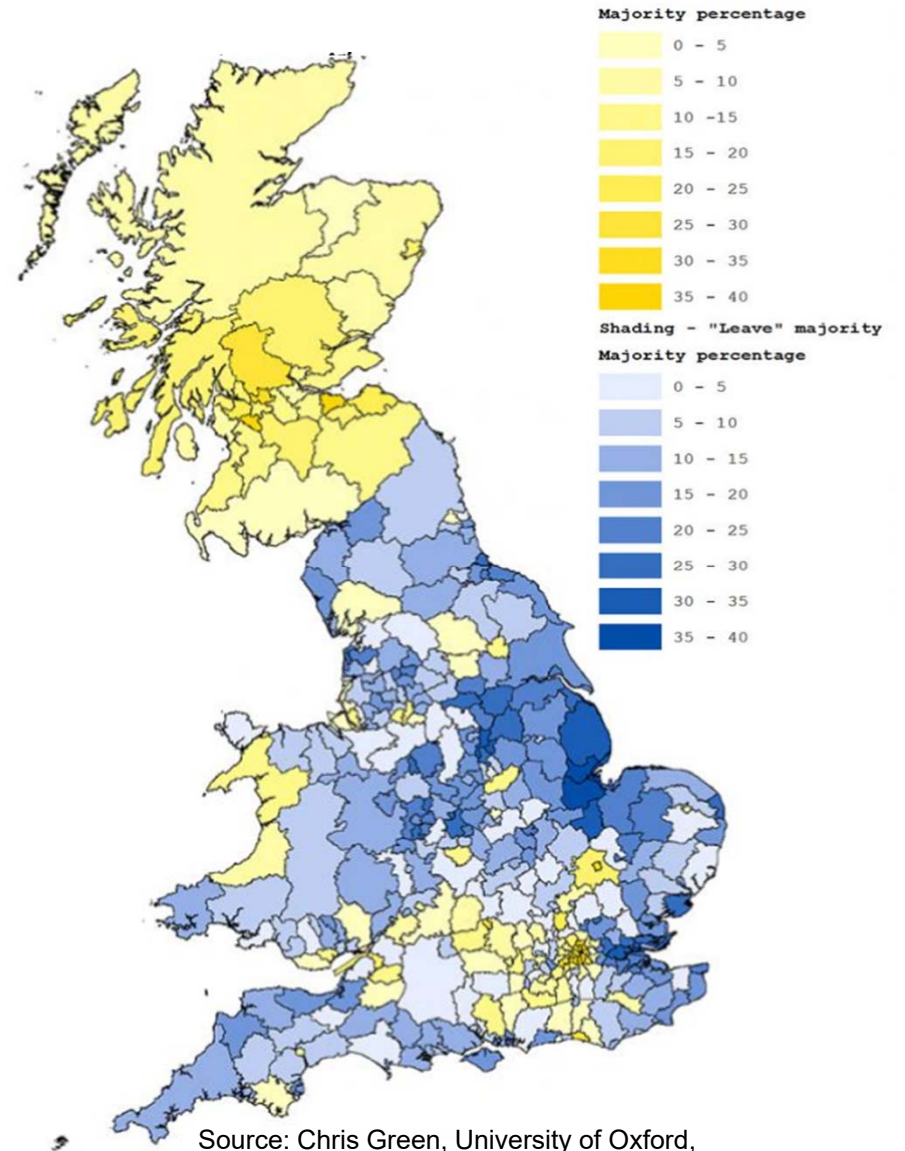
Sources: Sheffield Hallam estimates and University of Cambridge adjusted IMD for GB

The left behind?



Source: The uneven impact of welfare reform, Sheffield Hallam estimates based on official data

Brexit vote



Source: Chris Green, University of Oxford, <http://www.ox.ac.uk/news-and-events/oxford-and-brexit/brexit-analysis/mapping-brexit-vote>

Summary

- **Welfare reform has hit hard**
 - older industrial areas, seaside towns, some outer London Boroughs
 - cumulative impact over time
 - on local economies as well as people
- **Same areas also hit hard by cuts to local services**
- **Same areas with persistent long term issues:**
 - weak labour demand
 - poor quality or low income employment
 - reliance on in-work as well as out-of-work benefits system
- **Not over yet**