

The Spending Review & Changes to Benefits: the u-turn that wasn't



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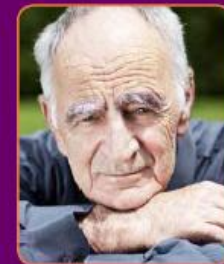
The Spending Review and the Welsh Budget:
Wales Public Services 2025
10th December 2015

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- Independent think tank
- Develop ideas to make Wales fair, prosperous & sustainable
- Funded by grants, commissions, subscriptions
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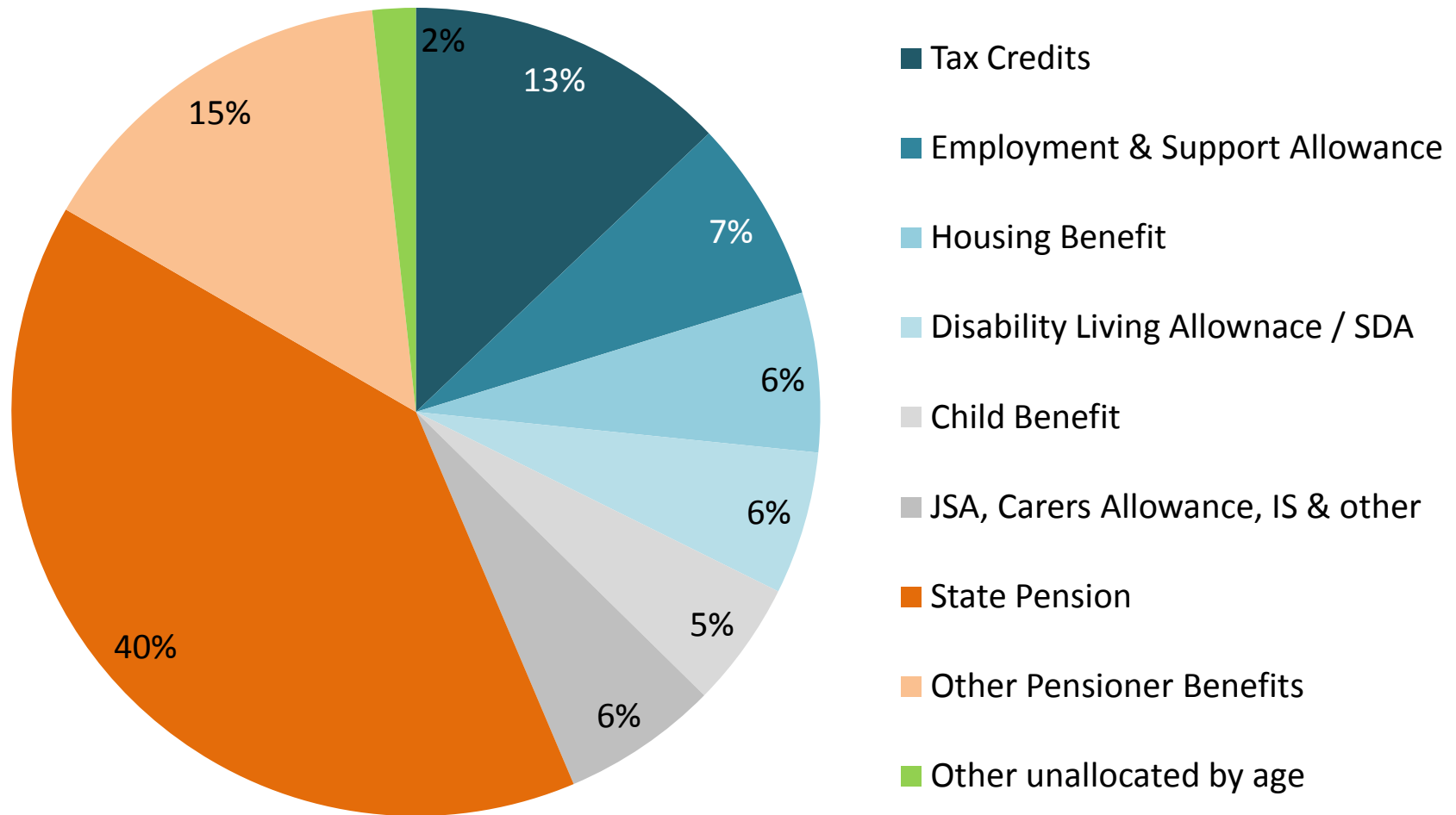


Context

Benefits underpin social fabric of Wales:

- 651,900 get state pension.
- 619,885 children receive child benefit.
- 237,000 working-age adults get out of work benefits.
- 164,000 families in-work get benefits.

Benefit expenditure 2014/15



Total expenditure in Wales = £10.7 billion

CSR - what's changed?

Cancelled:

- ✗ Tax Credits (while they still exist):
 - ✗ cut in income threshold
 - ✗ increase in earnings taper

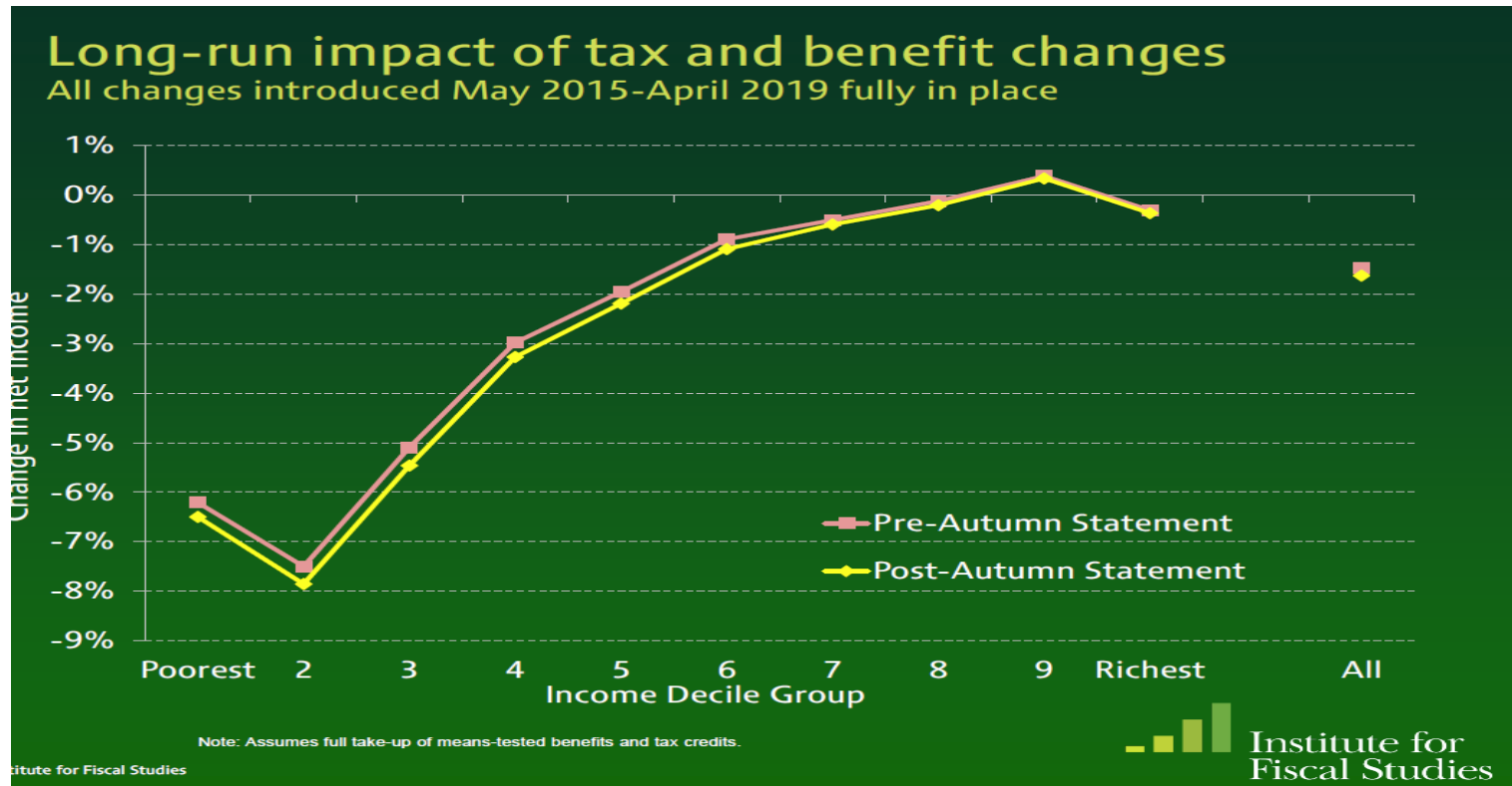
Staying from Summer Budget:

- ✓ Tax Credits:
 - ✓ two child limit
 - ✓ abolition of family element
- ✓ benefit cap
- ✓ main benefits frozen
- ✓ ESA-WRAG cut to JSA rate
- ✓ Changes to Housing Benefit
- ✓ Cuts to income threshold and increase in earnings taper still apply to Universal Credit

Effect of Tax Credit Change

Short term: Pain eased for poorest

Long term: Marginal - poorest still hit hard



Impact on Wales

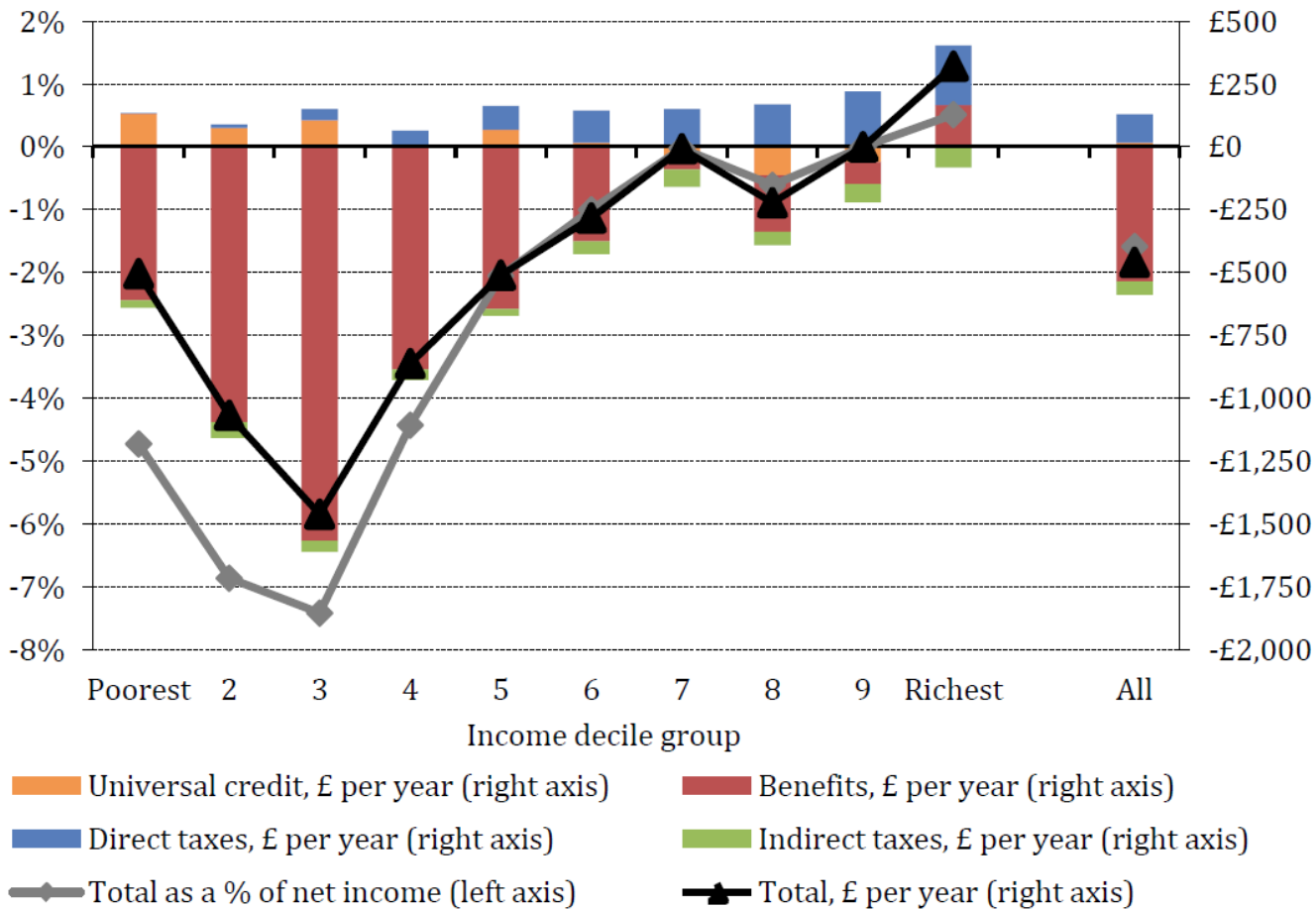
Summer 2015 Budget forecast still stands:

- Macro - loss of £600m to 2019/20
- Micro - average £459 per household = 2% income
- Distribution – highly uneven impact ...

Source: James Browne (2015) The Impact of the UK Government's Tax, Welfare and Minimum Wage Reforms in Wales, IFS.

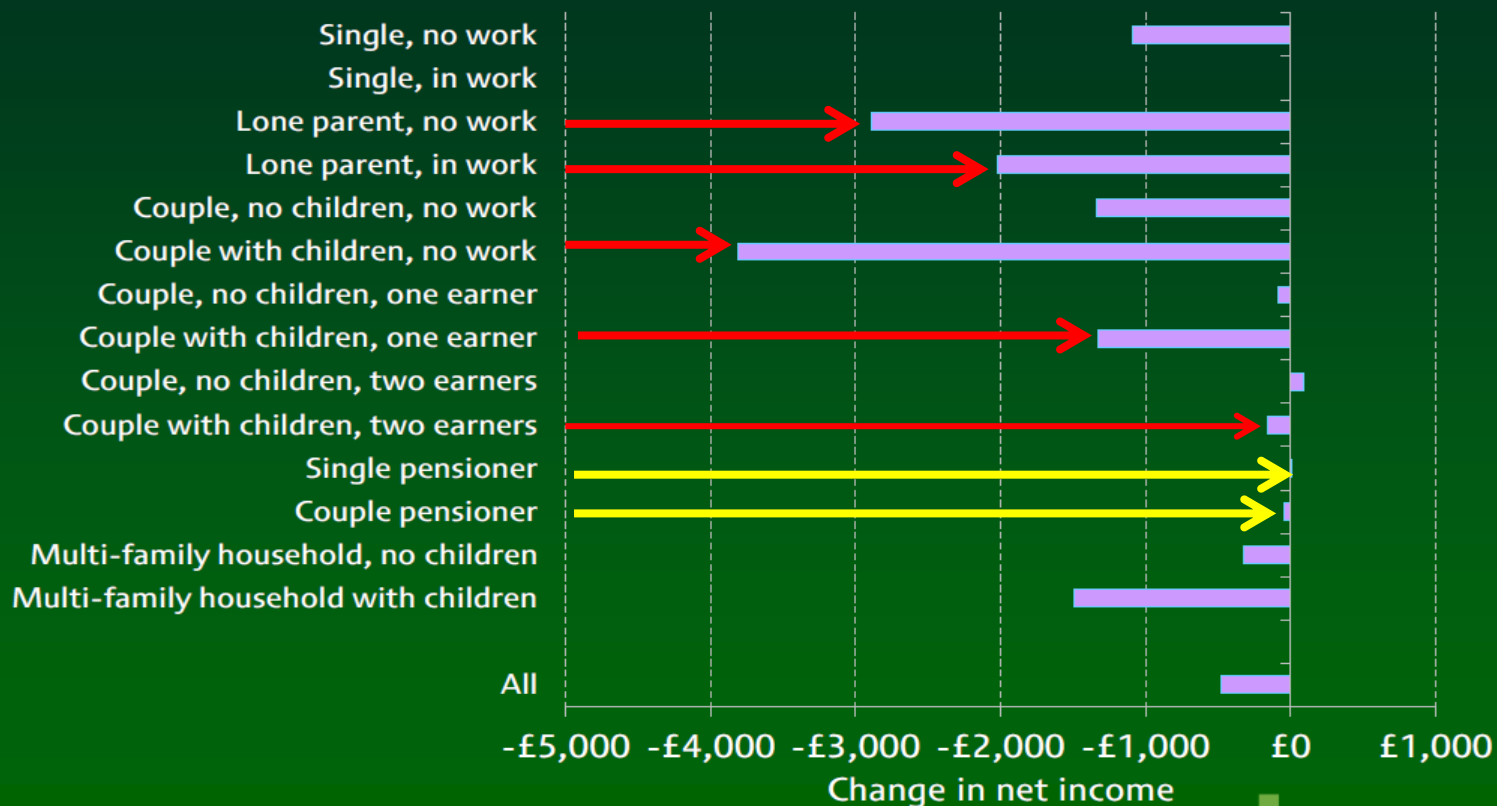
By income decile

Figure 3.2: Average gains and losses in Wales from tax and benefit changes to be introduced between 2015–16 and 2019–20 by income decile



By household type

Impact of tax and benefit reforms April 2015 – April 2019 (including universal credit)



Assumes full take-up of means-tested benefits and tax credits.

Implications & questions

- Significant increase in hardship and poverty.
 - *Is there sufficient and appropriate action proposed to reduce poverty?*
- Likely increased demand for public services esp. child & family.
 - *has the Welsh budget got the balance right?*
- Growing social divisions – age, family type.
 - *can pensioner freebies be justified?*

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