

Making welfare work for Wales:
Should benefits for people of
working age be devolved?

EXECUTIVE SUMMARY | JUNE 2016

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Social security benefits, or welfare, are of critical importance to people in Wales, supporting around half the population and injecting £10 billion into household budgets. There has been little enthusiasm for devolution of social security in Wales to date, but with devolution elsewhere in the UK occurring at a pace and an increasingly poor fit evident between benefits and devolved responsibilities it is time to look afresh.

This report looks at whether devolving benefits for people of working age would improve outcomes for society – it is not concerned about devolution for its own sake or in order to undo recent reforms.

The idea of a social union with the UK is powerful in Wales and has played a part in justifying why benefits should continue to be reserved to the UK Government. However other parts of the welfare state have long been devolved and neither this nor the resulting variations in entitlement have broken the social union. Nor does maintaining the social union mean that additional benefits could not be devolved.

Concern about risk has also justified the retention of benefits as a UK responsibility. However the cyclical risk is modest for some benefits for people of working age, and Wales would not be adversely affected provided that there was an acceptable fiscal framework. The introduction of Universal Credit as a single benefit for people of working age makes any devolution more complex, but not impossible.

We conclude that doing nothing is not an option and nor is full devolution. We therefore look on a benefit-by-benefit basis in respect of housing, support for job seekers and disability benefits for people of working age. We find that:

- **Housing:** there is a poor fit between policies on housing benefit and Wales' housing system, and we recommend that steps be taken towards administrative devolution then full devolution of housing benefit (and its successor), as follows:
 - administrative decisions about support with housing costs (e.g. frequency, recipient of payments) should be devolved;
 - decisions about eligible rents (such as Local Housing Allowance and under-occupancy) should be devolved;
 - help with housing costs for 18-24 year olds should be devolved in full;
 - the Welsh Government should be able to determine and make additional payments.

- **Job Seekers:** there is a poor fit between benefits and support services for job seekers and Wales' devolved training and employment support system. We recommend that:
 - the new Work and Health programme should be co-commissioned by the Welsh Government and Department for Work and Pensions, with a view to complete devolution by 2021;
 - responsibility for job seekers' benefits and services for unemployed young people aged 16-24 should be devolved in full;
 - Jobseeker's Allowance and Employment and Support Allowance should continue to be reserved to the UK Government because of the cyclical element.

- **Disability benefits:** there is limited evidence on the interface between disability benefits for people of working age and support for disabled people. In the absence of this and of demands from disabled people to devolve benefits we recommend that:
 - Personal Independence Payment and Carer's Allowance should remain reserved in the short- to medium term.

The report also concludes that the importance of the welfare system in Wales and its interface with devolved services are so great that the UK Government should consult with the Welsh Government on changes to reserved benefits that affect devolved responsibilities, with a Joint Ministerial Committee on welfare to manage the interface.

We recognise these are not changes to be sought lightly and that further work will be required to consider the potential financial, administrative and policy impacts. The improved outcomes in terms of the affordability of housing and the support for young people make the effort worthwhile.

About the Bevan Foundation

The Bevan Foundation develops ideas to make Wales a fairer, prosperous and sustainable place. We are independent of government or any political party, and are funded by subscriptions, donations, grants from charitable trusts and foundations and commissions.

We have made every effort to ensure this report is accurate but responsibility for any errors, and for the views in the report, are those of the Bevan Foundation.

Ideas That Change Wales



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