

STATE OF WALES BRIEFING

September 2021



Changes to Universal Credit and Working Tax Credits



Changes to Universal Credit and Working Tax Credits

What this briefing is about

In March 2020 the UK Government took action to strengthen the social security system in response to the Covid-19 pandemic. One of the measures was increasing the value of Universal Credit and Working Tax Credits by £20 a week (£1,040 a year).

In his budget on 3 March 2021 the Chancellor announced that the £20 uplift would be retained for Universal Credit (UC) for 6 months, and then would be cut from 6th October 2021 to its previous level. He also announced that the uplift for Working Tax Credits (WTC) would come to an end on 6th April 2021 with claimants receiving a one-off payment of £500 instead.¹

This briefing provides an overview of the impact of imminent changes to UC and WTC in Wales. It sets out the number of families affected, differences within Wales and the economic impact. All data are derived from the Joseph Rowntree Foundation's analysis of the changes to Universal Credit and Working Tax Credits unless otherwise noted.²

Why it matters

The changes to Universal Credit and Working Tax Credits are likely to have a significant impact on families in Wales, almost all of whom will experience a reduction in benefit payments. Organisations will want to consider how the changes might affect their services, for example increasing demand for support or reducing the ability to pay and the risk of arrears.

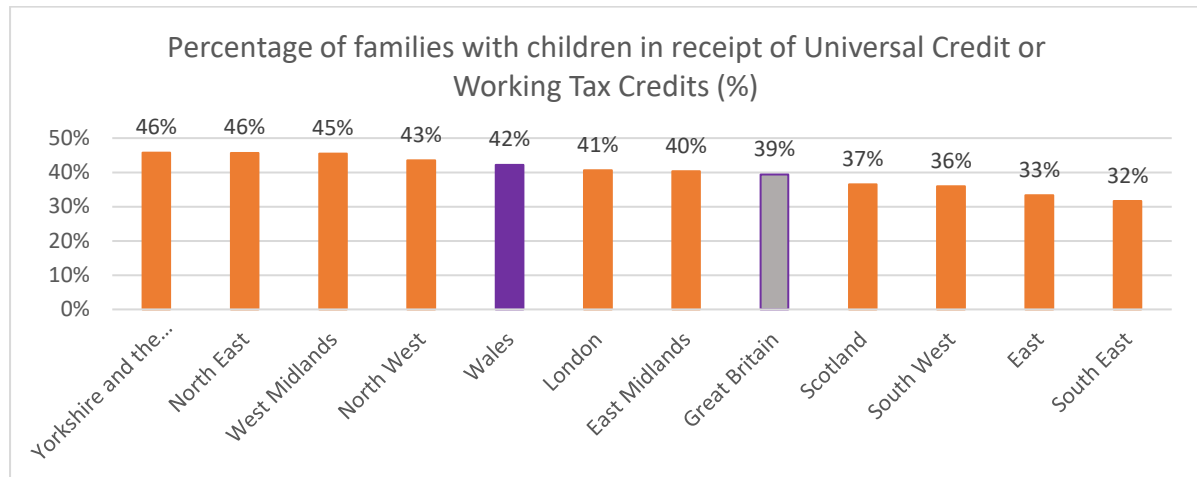
The timing of the change is likely to exacerbate its effects. The furlough scheme ends just a week before the cut takes effect, meaning workers let go by their employers will have to rely on some of the lowest rates of unemployment support in developed countries.³ Living costs are also forecast to rise over the coming months, meaning that families will see their incomes fall just as the cost of living increases.⁴

Key messages

- A higher proportion of families in Wales will be affected by the cut to Universal Credit and Working Tax Credit than the GB average.
- The cut to Universal Credit and Working Tax Credit will affect more than four in ten families with children in Wales.
- The cut to Universal Credit will have an impact on communities all over Wales with more than a third of families with children affected in all but four constituencies.
- The cut to Universal Credit and Working Tax Credit will take approximately £286 million out of the Welsh economy, potentially damaging the economic recovery.

Families in Wales will be harder hit

A slightly higher proportion of families in Wales will be affected by the change than the GB average: 22% of Welsh families affected compared to 21% across Great Britain. A significantly higher proportion of families with children in Wales will be affected than in the south and east of England.

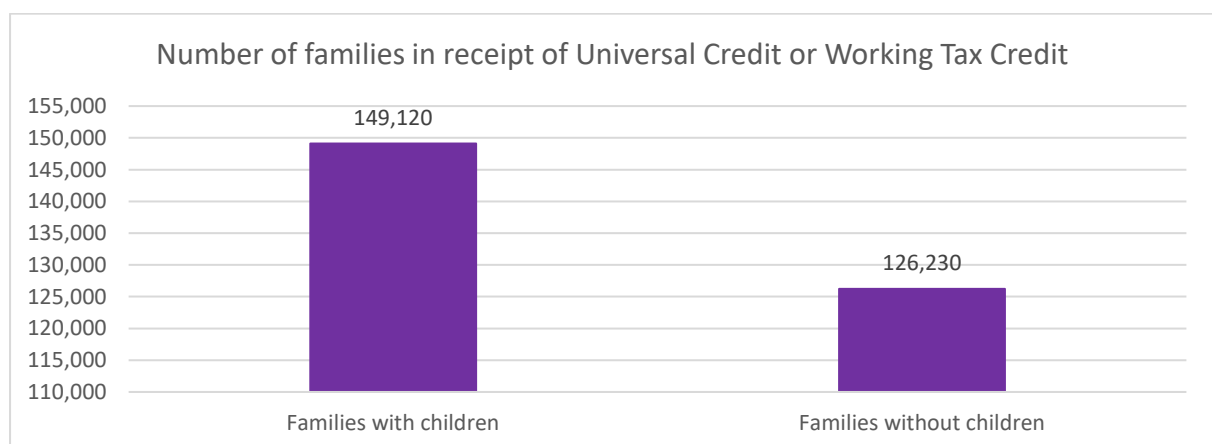


Who is affected?

In total 275,350 families claim Universal Credit or Working Tax Credits in Wales, more than one in five (22%) of all families. Across the UK the majority of families claiming Universal Credit or Working Tax Credits are in work.⁵

The majority of families claiming UC or WTC are families with children:

- 42% of all families with children claim UC or WTC .
- 14% of all families without children claim UC or WTC.



Geographic variation within Wales

The table below sets out the number and proportion of families affected by the change to UC and WTC in each parliamentary constituency. The data serves as an important reminder that there are families trapped on low incomes in every part of Wales.

- More than a quarter of families with children will be affected in every Welsh constituency.
- Only in four of Wales' 40 constituencies will fewer than one in three families with children be affected by the cut: Cardiff North, Monmouth, Gower and Pontypridd.
- Half of families with children will be affected in two Welsh constituencies: Rhondda and Cardiff South and Penarth.

When looking at the population as a whole, there are some slight differences in which communities will be affected most:

- In six constituencies more than a quarter of all families will be affected by the cut: Merthyr Tydfil and Rhymney (27%), Vale of Clwyd, Torfaen, Newport East, Rhondda, Swansea East (all 26%).
- Only in Cardiff North will fewer than 15% of all families be affected (14%).

In terms of absolute numbers of people, there are two constituencies in Wales where more than 10,000 families with children affected: Cardiff West and Cardiff South and Penarth.

Constituency	Percentage of families in receipt of Universal Credit or Working Tax Credits	Percentage of families with children in receipt of Universal Credit or Working Tax Credits	Percentage of families without children in receipt of Universal Credit or Working Tax Credits	Number of families in receipt of Universal Credit or Working Tax Credits
Aberavon	24%	45%	16%	7,080
Aberconwy	20%	44%	13%	4,750
Alyn and Deeside	19%	35%	12%	6,450
Arfon	20%	43%	12%	4,980
Blaenau Gwent	25%	48%	16%	7,240
Brecon and Radnorshire	16%	37%	9%	4,360
Bridgend	20%	38%	12%	6,670
Caerphilly	22%	41%	14%	7,920
Cardiff Central	20%	41%	15%	8,040
Cardiff North	14%	26%	9%	4,980
Cardiff South and Penarth	23%	50%	14%	12,740
Cardiff West	24%	46%	16%	10,140
Carmarthen East and Dinefwr	20%	39%	12%	5,530
Carmarthen West and South Pembrokeshire	21%	42%	12%	6,220
Ceredigion	20%	45%	12%	5,490

Clwyd South	21%	42%	12%	6,260
Clwyd West	22%	43%	14%	6,210
Cynon Valley	25%	48%	15%	7,340
Delyn	21%	40%	14%	5,720
Dwyfor Meirionnydd	19%	45%	11%	4,630
Gower	17%	31%	11%	5,300
Islwyn	21%	41%	12%	6,290
Llanelli	23%	44%	14%	7,650
Merthyr Tydfil and Rhymney	27%	48%	17%	8,280
Monmouth	16%	31%	10%	5,090
Montgomeryshire	20%	44%	12%	4,910
Neath	23%	43%	15%	6,900
Newport East	26%	49%	16%	8,630
Newport West	24%	43%	16%	9000
Ogmore	22%	40%	14%	7060
Pontypridd	17%	32%	11%	5840
Preseli Pembrokeshire	21%	44%	12%	6510
Rhondda	26%	50%	16%	7480
Swansea East	26%	48%	17%	9420
Swansea West	21%	46%	14%	7570
Torfaen	26%	49%	17%	8840
Vale of Clwyd	26%	49%	17%	7490
Vale of Glamorgan	20%	39%	13%	8310
Wrexham	23%	43%	15%	6690
Ynys Môn	19%	40%	12%	5340

The impact on the Welsh economy

The reduction in Universal Credit and Working Tax Credits will have implications for the Welsh economy. We estimated that the cut will directly remove £286 million from the pockets of low income families in Wales annually.⁶ There is a body of evidence that demonstrates that people on low incomes are more likely to spend their money, locally, meaning that this is money that is being withdrawn from local economies. The cut therefore risks undermining the economic recovery from the pandemic.

The table overleaf sets out the impact on each constituency. The areas with the largest losses are those with relatively large numbers of families receiving UC and WTC, namely Cardiff South and Penarth, Cardiff West, Swansea East and Newport West. The three constituencies with the smallest losses are Brecon and Radnor, Dwyfor Meirionnydd and Aberconwy.

Constituency	Estimated sum removed from local economy
Aberavon	£7.4m
Aberconwy	£4.9m
Alyn and Deeside	£6.7m
Arfon	£5.2m
Blaenau Gwent	£7.5m
Brecon and Radnorshire	£4.5m
Bridgend	£6.9m
Caerphilly	£8.2m
Cardiff Central	£8.4m
Cardiff North	£5.2m
Cardiff South and Penarth	£13.2m
Cardiff West	£10.5m
Carmarthen East and Dinefwr	£5.8m
Carmarthen West and South Pembrokeshire	£6.5m
Ceredigion	£5.7m
Clwyd South	£6.5m
Clwyd West	£6.5m
Cynon Valley	£7.6m
Delyn	£5.9m
Dwyfor Meirionnydd	£4.8m
Gower	£5.5m
Islwyn	£6.5m
Llanelli	£8.0m
Merthyr Tydfil and Rhymney	£8.6m
Monmouth	£5.3m
Montgomeryshire	£5.1m
Neath	£7.2m
Newport East	£9.0m
Newport West	£9.4m
Ogmore	£7.3m
Pontypridd	£6.1m
Preseli Pembrokeshire	£6.8m
Rhondda	£7.8m
Swansea East	£9.8m
Swansea West	£7.9m
Torfaen	£9.2m
Vale of Clwyd	£7.8m
Vale of Glamorgan	£8.6m
Wrexham	£7.0m
Ynys Môn	£5.6m

End notes

¹ HM Treasury, *Budget 2021* (3 March 2021) available at - <https://www.gov.uk/government/publications/budget-2021-documents/budget-2021-html>

² The JRF's data and a technical annex available at - Joseph Rowntree Foundation, *Universal credit cut - impact by constituency* (August 2021)- <https://www.jrf.org.uk/universal-credit-cut-impact-constituency>

³ Institute for Government, *Coronavirus: how have different countries supported workers through the crisis?* (2021) available at <https://www.instituteforgovernment.org.uk/coronavirus-support-workers-comparison>

⁴ BBC, *Energy bills to rise by at least £139 for millions of households* (August 2021) available at - <https://www.bbc.co.uk/news/business-58106105>

⁵ See JRF data.

⁶ Bevan Foundation estimate based on multiplying the number of families affected by the value of the reduction