



Institute for  
Fiscal Studies

---

## The State We'll Be In: Welfare Reform

Mike Brewer

# What has happened so far?

- Net cut of £18 billion a year by 2014-15
  - 10-15% (?) cut to working-age welfare benefits & tax credits
- Overhaul of working-age means-tested benefits and in-work tax credits (Universal Credit)
- Welfare-to-work programmes: more use of private and voluntary sector (Work Programme): little to say
- Suggestion of long-term pension simplification: little to say

# Welfare cuts: key themes

- Saving money (indexation)
- Pensioners unaffected
- Disability
  - Benefits harder to access (DLA, ESA)
  - Less role for state in providing insurance (ESA)
- Benefits for families with children
  - Re-focused on poorest (CB, CTC/WTC)
- Housing benefits (LHA)
  - End of principle that benefit recipients can live anywhere

# Universal Credit

- Aims
  - Unify in- and out-of-work benefits to create simpler, more transparent system
  - Strengthen incentives for someone in family to be in work, especially at low earnings
- Thoughts
  - Makes it much easier to alter size and scope of welfare benefits and extend conditionality
  - Very hard to see how “localising council tax benefit” is consistent with aims or structure of UC

# Challenges and uncertainties for 2015

- What impact will LHA cuts have?
  - Short-run: huge losses for large properties and central London
  - Long-run: will affordability decline or landlords suffer?
- Will Government go through with planned large cuts? (LHA, DLA, ESA, CB)
- Universal Credit: can it be delivered?
- Work Programme: PVS don't have good record of delivering W2W services
- Localising council tax benefit