

## **Inquiry into Benefits in Wales: options for a better delivery**

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House of Commons  
Welsh Affairs Committee

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# The Benefits System in Wales

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**Fourth Report of Session 2021–22**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 9 March 2022*

## Welsh Affairs Committee

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## Summary

As a result of the Covid-19 pandemic, the past two years have seen unprecedented challenges for the benefits system in Wales. One in five jobs in Wales were in the sectors where most businesses were forced to close or reduce trading, and 474,600 employments were furloughed at some point during the lifespan of the Coronavirus Job Retention Scheme. By April 2021, the benefits claimant count was almost twice the level seen at the start of 2020. The scale of these challenges represented an important opportunity to assess how effectively the benefits system supports claimants in Wales.

In Wales, social security is a reserved competence. However, we wanted to explore whether there are issues which affect Wales disproportionately compared to elsewhere in the UK, and the extent to which any differences present the system as it operates in Wales with greater challenges. We wanted to assess not only how well claimants are supported, but also how effectively the system operates. Most of all we wanted to hear from a wide range of people to help us examine these issues, including claimants, welfare support advisors, academics, think tanks and the Welsh and UK governments.

Specifically, our report covers:

- Challenges facing the benefits system in Wales
- Lessons from the pandemic for the UK social security system
- Intergovernmental relations

### Challenges facing the benefits system in Wales

Our report includes a detailed assessment of the socio-economic and demographic context in which the benefits system operates in Wales and how far this differs from the rest of the UK.

There are some aspects to celebrate: at the time of publication the unemployment rate in Wales was both lower, and falling faster, than the UK as a whole.

However, this must be tempered by the fact that Wales has a higher proportion of long-term unemployed and fewer people employed in professional occupations or higher paid sectors. Wales has the highest poverty rates of all the UK nations. 31% of children live in poverty—71% of those children live in working households. More generally, average hourly earnings are lower in Wales than across the UK.

There are also demographic factors which present Wales with greater challenges than elsewhere. Wales has the highest rate of disability among the UK nations and an older population: more than one in five of residents are aged 65 and over, a proportion that is second only to the South West of England. Finally, we draw attention to the fact that proportionately more people in Wales live in rural areas compared to England. This creates significant challenges with connectivity, not only with broadband coverage but also more limited public transport for claimants who have to attend appointments or work.

Taken together, these dynamics underline the need for the UK Government to be conscious of the Welsh context when deciding welfare policy.

### **Lessons from the pandemic for the UK social security system**

The Covid-19 pandemic placed unprecedented pressure on the social security system in Wales and across the UK. Our report looks at the performance of the Department for Work and Pensions (DWP) and the benefits system in responding to the pandemic, as well as the lessons from the pandemic for the system going forward.

In common with the rest of the UK, the pandemic had an immediate and unparalleled impact in Wales. Yet the benefits system held up. Universal Credit withstood the pressure, partly due to its digital model but also the immense efforts of DWP staff and leadership. We applaud their commitment to supporting so many thousands of people, many of whom were navigating the benefits system for the very first time.

We heard too of the significant impact that the UK Government's temporary increased support for benefit claimants made during the pandemic. Many submissions described the £20 uplift as a "lifeline" and drew attention to other support the UK Government provided such as the increase in the Local Housing Allowance. However, the praise was tempered by concerns about the impact of the removal or reduction in the extra support.

We acknowledge that the UK Government has difficult choices to make in ensuring the benefits system is financially sustainable, but we believe there needs to be a discussion about how to ensure benefits are adequate, affordable and sustainable. We would, therefore, welcome clarity from the DWP about the metrics it uses to determine the adequacy of benefits and, in light of the expected increases in inflation and the general cost of living, we recommend that the £20 uplift be reinstated and extended to legacy benefits.

### **Intergovernmental relations**

The benefits system intersects with a wide range of devolved responsibilities, such as skills, housing and health. Our report therefore examines how effectively the two governments work together. Ministers from all four UK governments have met at various junctures during the pandemic to manage and mitigate the unprecedented challenges it has brought: not to build on this foundation would be a missed opportunity. Both the UK and Welsh governments have much to gain from continuing the admirable joint working forged during the pandemic.

We welcome the plans outlined in the Intergovernmental Review for all governments across the UK to meet to discuss welfare, but UK Government policy affects Wales to a greater degree than Scotland or Northern Ireland as no benefits are devolved. In this light we believe a UK-Welsh government Inter-ministerial Advisory Board should be established. Such a board would enable the two governments to discuss policies which impact the other: for example, the UK Government's work on skills in the Levelling Up White paper and the Welsh Government's pilot of basic income.

We also looked at the question of whether any aspect of the benefits system should be devolved. Our report acknowledges that there are differing views on this subject.

However, we conclude that there is an important distinction between devolving the administration of certain welfare benefits and the wholesale devolution of welfare. We therefore recommend that the UK-Welsh government Inter-ministerial Advisory Board on Social Security should undertake an assessment of the potential merits of devolving the administration of the same benefits to Wales as have been devolved to Scotland.

# 1 Introduction

1. The past two years have seen unprecedented challenges for the benefits system in Wales and across the UK, as a result of the Covid-19 pandemic. One in five jobs in Wales were in the sectors where most businesses were forced to close or reduce trading, with lockdown restrictions particularly affecting businesses in the non-essential retail, hospitality, leisure and tourism sectors on which, as will be explored in Chapter 2, many jobs in Wales rely.<sup>1</sup> Some 474,600 employments were furloughed at some point during the lifespan of the Coronavirus Job Retention Scheme.<sup>2</sup>

2. Between March 2020 and March 2021, the number of young people aged 16–19 on Universal Credit increased by 58% to 11,089 and the number aged 20–24 increased by 80% to 39,875.<sup>3</sup> There was an 87.7% increase in people claiming Universal Credit in early March 2021 compared to February 2020.<sup>4</sup> The scale of these challenges meant that this was an opportune moment to assess how effectively the benefits system supports claimants in Wales.

3. Our overall purpose has been to examine the UK benefits system in a Welsh context. We wanted to explore whether there are issues within the system which affect Wales differently compared to elsewhere in the UK and, if so, what this may suggest about future priorities for the benefits system in Wales. We wanted to assess not only how well claimants are supported but also how effectively the system operates.

4. While social security is a reserved competence, it touches upon a number of policy areas (such as housing, health and social services, education and skills) which are devolved to the Senedd Cymru-Welsh Parliament and Welsh Government. We therefore wanted to examine how well the UK Government works with the Welsh Government, as well as the effectiveness of the allowances and grants provided by the Welsh Government. Finally, we also wished to explore the potential implications of the basic income pilot scheme which has been proposed by the Welsh Government.

## Welfare responsibilities in Wales

5. The majority of social security benefits in Wales, including Universal Credit, Jobseeker's Allowance, Income Support, Personal Independence Payments and Pension Credit, are administered at a Great Britain level by the Department for Work and Pensions (DWP). A few are administered by HM Revenue and Customs (HMRC), including Child Tax Credit, Working Tax Credit and Child Benefit. Local authorities also administer some of the support, such as Discretionary Housing Payments.<sup>5</sup> In total, the UK budget for the social security system in 2020/21 was £213.2 billion, the majority of which was spent on pensions (£126.0 billion).<sup>6</sup>

1 Social Mobility Commission (July 2021), [State of the Nation 2020–21: Social Mobility in Great Britain](#) p160; B. Stokes (19 May 2021), [Supporting the recovery of hard-hit sectors](#), Senedd Research

2 HM Revenue and Customs (December 2021), [Coronavirus Job Retention Scheme statistics: 16 December 2021](#): Table 7

3 Information supplied by DWP

4 Welsh Government (22 April 2021), [Labour Market Overview](#) p10

5 A. Mackley (9 November 2020), [Social security powers in the UK](#), House of Commons Library: Briefing Paper No. 9048, p25 and Senedd Equality, Local Government and Communities Committee (October 2019), [Benefits in Wales: Options for better delivery](#) p11. In Northern Ireland, powers over social security were devolved by the Government of Ireland Act 1920.

6 UK Government, [Benefit expenditure and caseload tables 2021](#)

6. The main UK Government working-age benefit payment is Universal Credit. Prior to its introduction in 2013, if a household was eligible for more than one benefit each one was claimed and paid separately. The UK Government argued in 2010 that the system was “too complex” and that “work incentives for some groups are poor”.<sup>7</sup> It replaced much of the existing system with a single integrated payment called Universal Credit.<sup>8</sup> It was launched in 2013 and has now been rolled out across the UK.

7. The majority of claimant households are now on Universal Credit rather than the legacy benefit system it replaced.<sup>9</sup> As of January 2022, a total of 232,739 households (59% of claimant households) in Wales were on Universal Credit and 162,117 were on legacy benefits.<sup>10</sup>

8. The Welsh Government has continued to run its own system of grants and allowances, including its pre-existing Council Tax Reduction Scheme and Free School Meals.<sup>11</sup> The Bevan Foundation estimates that, pre-pandemic, the Welsh Government spent more than £400m annually on its schemes, a figure “likely to have increased significantly” due to the pandemic.<sup>12</sup> In June 2021, the UK Government announced that the Welsh Government had received an additional £8.6bn in Barnett consequentials since the advent of the pandemic.<sup>13</sup>

## Our Inquiry

9. We launched our inquiry on 15 June 2021 and published a call for written evidence on our website. We held five evidence sessions and published 52 pieces of written evidence. We would like to thank all the witnesses who gave oral evidence and submitted written evidence.

10. We also ran a survey, inviting benefit claimants to tell us about the issues they faced and what questions we should ask the Welsh and UK Governments. We would like to thank the 292 people who completed the survey: their responses helped shape our understanding of the issues important to claimants.

## Developments during the inquiry

11. During the course of our inquiry there were a number of developments pertaining to the benefits system. These included:

- The ending of key social security pandemic support such as the “£20 uplift” to Universal Credit and Working Tax Credit.
- The publication in July of the UK Government’s green paper on health and

7 Department for Work and Pensions (July 2010), [21st Century Welfare](#), Cm 7913, p7

8 Department for Work and Pensions (November 2010), [Universal Credit: Welfare that works](#), Cm 7957, p3

9 The legacy benefits are Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker’s Allowance, income-related Employment and Support Allowance and Working Tax Credits.

10 R. Harker (15 February 2022), [Constituency data: Universal Credit rollout \(parliament.uk\)](#) House of Commons Library

11 National Assembly for [Wales Equality, Local Government and Communities Committee, October 2019, Benefits in Wales: Options for better delivery](#), pp. 11-18

12 Bevan Foundation ([BSW0025](#))

13 UK Government (25 June 2021), [Extra £8.6 billion for Wales since start of the Covid-19 pandemic](#)

disability, *Shaping Future Support*.<sup>14</sup>

- The Co-operation Agreement, signed in November by the Welsh Government and Plaid Cymru, outlining their support for the devolution of the “administration of welfare”.<sup>15</sup>
- Announcements in the autumn Budget, including the Universal Credit taper level being reduced from 63% to 55%.<sup>16</sup>
- The Basic and New State Pensions and the Pension Credit standard minimum guarantee will rise by 3.1% from April 2022, in line with the Consumer Prices Index (CPI) rate of inflation.
- The Welsh Government’s launch in December of its Winter Fuel Support scheme and related discussions with the DWP.<sup>17</sup>
- The Welsh Government announcement of details of its Basic Income pilot for care leavers.<sup>18</sup>

### Report Structure

12. Our report starts with an examination of the particular challenges faced by the benefits system in Wales, such as levels of poverty and deprivation, as well as the implications of Wales’ demography for the benefits system. The report then moves on, in Chapter 3, to an exploration of the response to the pandemic by the UK Government and the lessons that can be learned. This chapter pays particular attention to the pressures placed upon Universal Credit by the pandemic, as well as the lessons from the pandemic for the support which is needed for in-work benefit claimants. We then turn, in Chapter 4, to look at intergovernmental relations between the UK and Welsh Governments, with this chapter also examining the Welsh Government’s proposed basic income pilot, as well as the question of whether some social security responsibilities should be devolved to the Welsh Government and Senedd Cymru-Welsh Parliament.

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14 Department for Work and Pensions (July 2021), [Shaping Future Support: the health and disability green paper](#), CP 470

15 Welsh Government (November 2021), [The Co-Operation Agreement](#), p10

16 HM Treasury (December 2021), [Autumn Budget and Spending Review 2021](#). HC 822

17 Welsh Government (December 2021), [Winter fuel support scheme](#)

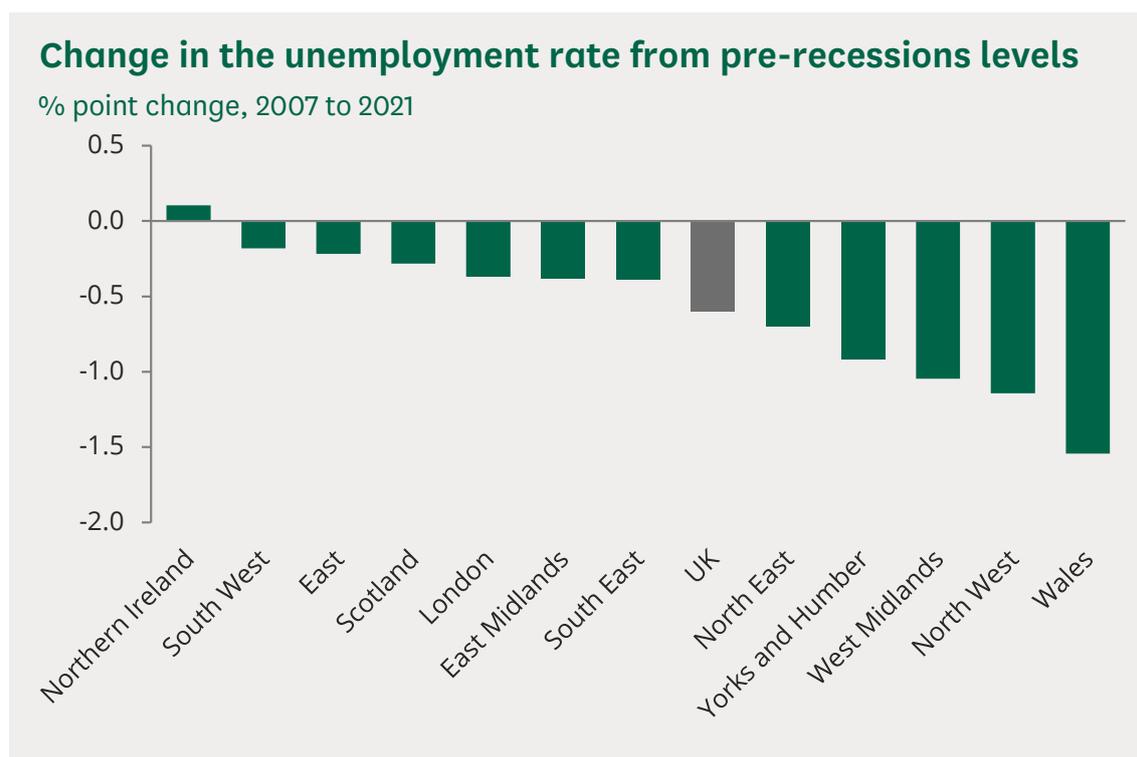
18 Welsh Government (15 February 2022) [Basic Income for Care Leavers in Wales, pilot announced](#)

## 2 Challenges facing the benefits system in Wales

13. Wales is part of a Great Britain-wide social security system, with social security powers reserved to Westminster. However, this does not mean that there are not unique pressures and challenges facing the benefits system in Wales, as opposed to other parts of the UK. This chapter explores the socio-economic and demographic context in which the benefits system operates in Wales and examines how this context may differ from that experienced elsewhere in the UK.

### Employment

14. The unemployment rate is both lower, and falling faster, than the UK as a whole. In the three months to December 2021, the unemployment rate in Wales was 3.1%, down 1.4% on the year.<sup>19</sup> In comparison, the UK unemployment rate in the three months to December 2021 was 4.1%, down 1.2% on the year.<sup>20</sup> Overall, Wales has seen the biggest fall in unemployment since pre-recession.<sup>21</sup>



Source: ONS [Labour market in the regions of the UK Statistical bulletins](#)

15. However, the lower rate in Wales is, according to the Resolution Foundation, partly accounted for by the fact that Wales has a higher economic inactivity rate compared to the UK.<sup>22</sup> The rate of people out of work but not counted as unemployed stands at 23.1%,

19 Welsh Government (15 February 2022), [Labour market overview: February 2022 | GOV.WALES](#)

20 Welsh Government (January 2022), [Labour market overview: January 2022](#)

21 A. Powell (19 May 2021), [Labour market statistics: UK regions and countries \(parliament.uk\)](#) House of Commons Library: Briefing Paper: No 7950 p11

22 Resolution Foundation (November 2020), [From locking down to levelling up](#), p5

as opposed to the UK rate of 21.2%.<sup>23</sup> That said, the economic inactivity rate is falling faster in Wales than the rest of the UK, with a decrease of 1.1% in the three months ending December 2021.<sup>24</sup>

16. There exist regional disparities in unemployment rates in Wales. According to the Annual Population Survey, the three local authorities with the highest unemployment rates are Merthyr Tydfil (7.6%), Swansea (6.7%) and Torfaen (6.5%).<sup>25</sup> Meanwhile, Wales has a higher proportion (0.4%) of young people aged 16–17 claiming Job Seeker's Allowance compared to the UK rate (0.3%), but in all other age-groups it is lower.<sup>26</sup> Finally, the Survey covering the period October 2020 to September 2021 reports that Wales has a higher proportion of long-term unemployed: 34.2% of unemployed people in Wales have been unemployed for 12 months or more, compared with 26.9% across the UK.<sup>27</sup>

17. Fewer people are employed in professional occupations in Wales (20.6%) compared to the UK as a whole (23.4%), while more people are employed in the caring, leisure and service sectors (10% compared to 9.1%) and retail and other customer service roles (7.4% compared to 7.1%).<sup>28</sup> Some areas of Wales are particularly dependent on tourism, including Gwynedd (17.7%), Conwy (17.1%) and Pembrokeshire (16.2%).<sup>29</sup> The Wales Fiscal Analysis research unit in Cardiff University's Wales Governance Centre claimed that the nature of the Welsh labour market meant it had fewer jobs that could be done from home compared to the rest of the UK, and so was disproportionately affected by lockdown restrictions.<sup>30</sup>

18. According to the Resolution Foundation, Wales has a lower percentage (12.3%) of the population employed in higher paid sectors such as ICT, finance and property and professional and scientific activities compared to the wider UK (17%). Only the North East of England has a lower percentage.<sup>31</sup>

19. The Resolution Foundation also found that, in common with the rest of the UK, increasing numbers of young people work in low-paid jobs such as retail, hospitality and leisure. It stated that 44% of workers born in 1981–1985 worked in one of these three sectors at the age of 21, compared to 52% of those born in 1991–95.<sup>32</sup>

23 Office for National Statistics (15 February 2022), [Labour market in the regions of the UK - Office for National Statistics](#) para 2

24 Office for National Statistics (15 February 2022), [Labour market in the regions of the UK - Office for National Statistics](#) para 2. Economically inactive groups include students, people looking after family and/or home, those with disabilities or health conditions and retired people. Office for National Statistics, [A guide to labour market statistics](#), para. 6.

25 Welsh Government (January 2022) [ILO unemployment rates by Welsh local areas and year](#)

26 Office for National Statistics, [Labour Market Profile](#)

27 Welsh Government (January 2022), [Labour market statistics \(Annual Population Survey\): October 2020 to September 2021](#)

28 ONS, Employment by occupation (October 2020–September 2021), [Labour Market Profile](#). For definitions of each of the nine major groups of the Standard Occupational Classifications, see Section 8 of [SOC2010 volume 1: structure and descriptions of unit groups](#).

29 Figures are derived from the number of jobs in tourism-related industries (source: Welsh Government, November 2021 [Employee jobs in tourism-related industries by area and year](#)) as a percentage of the total number of people in employment by area (source: Welsh Government, January 2022 [People in employment by area and occupation](#)).

30 Wales Fiscal Analysis, Cardiff University (July 2022) [Covid-19 and the Welsh economy: working from home](#), p14. Wales is 39.9%, the UK is 45.2%. The percentages represent the lowest potential share of jobs that can be done from home.

31 Resolution Foundation (November 2020), [From locking down to levelling up: The past, present and future of Welsh living standards](#), p6. The percentage in the North East of England was 11.7%.

32 Resolution Foundation (November 2020), [From locking down to levelling up: The past, present and future of Welsh living standards](#), p12

20. Wales has comparable self-employment figures to the UK: as of September 2021, 13.3% of the Welsh working population was self-employed, compared to 13.5% across the UK. However, levels of self-employment vary considerably: in Powys 25.4% of the workforce is self-employed and in Ceredigion 23.5%, but in Neath Port Talbot the self-employed only account for 6.4% of the total workforce.<sup>33</sup>

### Poverty and deprivation

21. Prior to the pandemic, Wales had the highest poverty rates of all the UK nations, both before and after housing costs were accounted for.<sup>34</sup>



Source: Chart 23, p47: [SN07096.pdf \(parliament.uk\)](#)

22. Welsh Government figures indicate that 16% of all people in Wales are living in income deprivation. These figures vary significantly when broken down at a local authority level with the highest percentages recorded in Blaenau Gwent (21%), Merthyr Tydfil (20%), Neath Port Talbot (19%) and Rhondda Cynon Taf (19%).<sup>35</sup>

23. In 2021, the Legatum Institute reported that more than 1 in 20 households in Wales experience “deep poverty”, the highest proportion outside London, and that living conditions are “below the UK average”.<sup>36</sup> According to research by the Bevan Foundation, nearly four in ten Welsh households do not have enough money to buy anything “beyond everyday items” and an increasing number of households have seen their income fall over 2021.<sup>37</sup> The foodbank group, the Trussell Trust, distributed 146,000 emergency food parcels in Wales between April 2020 and March 2021, a 8% increase on the year before and a 69% increase since 2015/16.<sup>38</sup>

33 StatsWales (27 January 2022), [Status of employed persons by Welsh local authority and measure](#)  
 34 B. Francis-Divine (26 October 2021), [Poverty in the UK: statistics](#), House of Commons Library: Briefing Paper No. 7096, p47  
 35 StatsWales (2020), [Income Deprivation - Indicator Data by Local Authority](#). These figures are from 2019.  
 36 Legatum Institute (2021), [The United Kingdom Prosperity Index 2021](#), p93. The Institute defines “deep poverty” as living more than 25% below the poverty line.  
 37 Bevan Foundation (December 2021), [A snapshot of poverty in Winter 2021](#), p12. The figure is 39%.  
 38 Trussell Trust ([BSW0044](#))

24. According to the Social Mobility Commission, Wales has had “the highest child poverty rates in the UK for much of the last decade with 31% of children in poverty on average from 2017–18 to 2019–20”. Furthermore, between 2015 and 2019, 15% of children in Wales have experienced persistent poverty.<sup>39</sup>

25. Those on low incomes look set to be particularly affected by rising domestic energy prices. Pre-pandemic, prices were higher in the Welsh regions, behind only the North of Scotland, which will have increased the risk of households falling into fuel poverty.<sup>40</sup> Although the number of households in fuel poverty in Wales has declined from 332,000 households (26%) in 2008 to 155,000 (12%) in 2018, this trend could potentially be reversed as a result of rising prices.<sup>41</sup>

### In-work poverty

26. Since the 1990s, Wales—in common with the rest of the UK—has seen a growth in the rate of in-work poverty.<sup>42</sup>

27. Overall, nearly one in five jobs in Wales are classified by the UK Government as being low paid.<sup>43</sup> The Institute for Public Policy Research (IPPR) reported that Wales, together with the Midlands and North of England, was second only to London in terms of in-work poverty. Pre-pandemic, the proportion of people living in working households in Wales who were in relative poverty stood at 18%, compared to 14% in Scotland and 13% in Northern Ireland.<sup>44</sup> In March 2020, the proportion of people in Wales on Universal Credit and in employment stood at 33%. By October 2021, this had risen to 39%, compared to a UK-wide figure of 41%.<sup>45</sup> Some 71% of children living in poverty in Wales live in working households, a figure which has been steadily increasing in recent years.<sup>46</sup>

28. Average hourly earnings are also lower in Wales than across the UK. As of 2021, the UK average was £15.59 while in Wales it was £14.40 per hour.<sup>47</sup> Pay is lower in particular areas, such as Conwy (£12.96), Powys (£13.20) and the Vale of Glamorgan (£13.41).<sup>48</sup>

39 Social Mobility Commission, July 2021 [State of the Nation 2020–21: Social Mobility in Great Britain](#), pp.160–161

40 D. Hirst and N. Sutherland (13 September 2017), [Energy in Wales](#), House of Commons Library: Debate Pack No. CDP 2017/0163, p12

41 Welsh Government (2018), [Fuel poverty estimates for Wales 2018: Headline results](#), p6. Pre-pandemic, the Welsh Government estimated that 12% of households were living in fuel poverty in 2018, down from 26% in 2008. Though there were changes to the methodology 2008–18, the Welsh Government states that the results are broadly comparable. The definition of fuel poverty varies across the UK nations and so direct comparisons are not possible.

42 P. Bourquin, J. Cribb, T. Waters and X. Xu, Institute for Fiscal Studies (June 2019), [Why has in-work poverty risen in Britain?](#) Wales saw a growth in its in-work relative poverty rate from 16% in 1994 to 19% in 2017: Table 2, p17.

43 In-Work Progression Commission (July 2021), [Supporting progression out of low pay: a call to action](#). The Office for National Statistics (ONS) defines low pay as less than two-thirds of median hourly earnings. The percentage of jobs classed as being low paid in Wales was 19.1%. Northern Ireland was 21.1%, Scotland 14.5%, London 8.7% and the South East 13.9%.

44 Institute for Public Policy Research (26 May 2021), [Revealed: Working family poverty hits record high, fuelled by rising housing costs and childcare challenges](#). The figures cover the period 2017/18 - 2019/20. Accessed 12 January 2022.

45 Information supplied by the DWP.

46 Welsh Government (September 2021), [Wellbeing of Wales: 2021](#)

47 Office for National Statistics (2021), [Labour Market Profile](#)

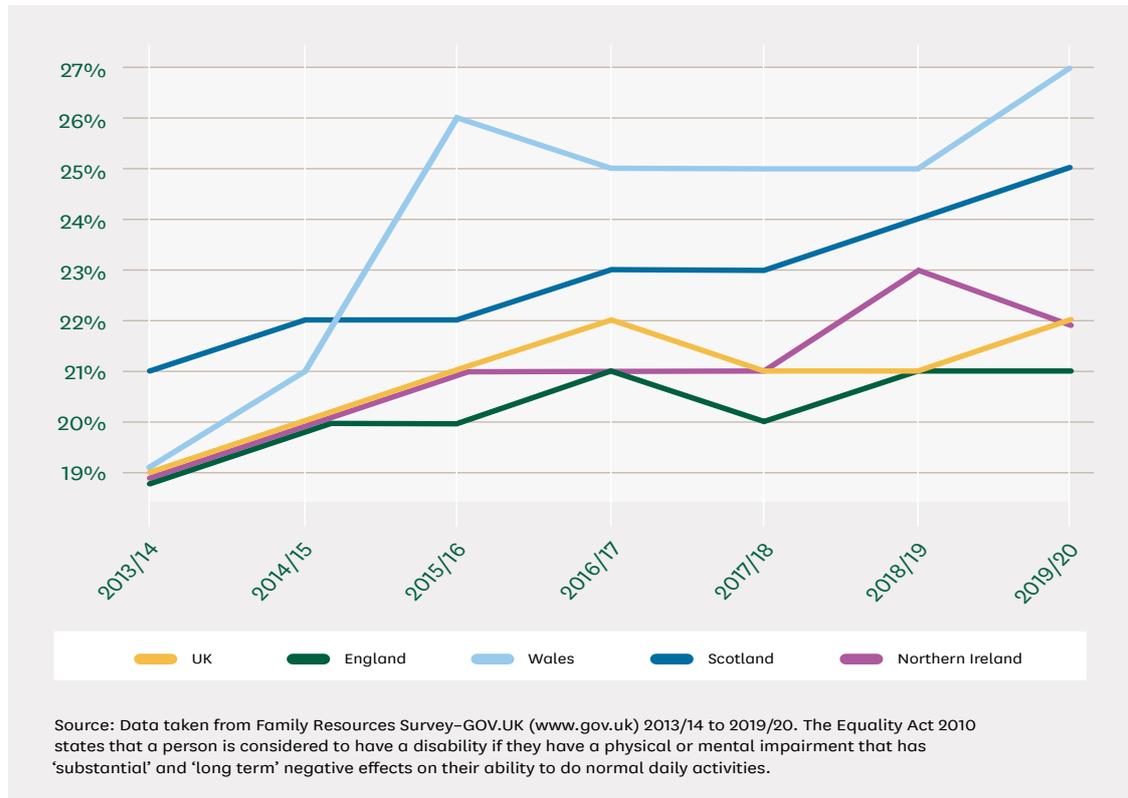
48 Welsh Government (November 2021), [Average \(median\) gross hourly earnings by Welsh local areas and year](#)

## Disability

29. The proportion of people in Wales who reported a disability to the UK Government’s 2019/20 Family Resources Survey was 27%, five per cent higher than the UK national average.<sup>49</sup> More than half of those (51%) live in South East Wales, while 29% live in Mid and South West Wales.<sup>50</sup>

30. Not only does Wales have the highest rate of disability among the four nations, this rate has also been increasing. While this partly reflects an ageing population, Wales has also seen an increase in the number of working-age adults with a disability.<sup>51</sup>

### Disability prevalence by country



31. This makes Wales’ larger gap between the employment rates of disabled and non-disabled people than in the wider UK particularly significant. The DWP reports that Wales, together with the North West and the North East of England, all had a figure “significantly” higher than the overall UK level in 2013/14 and by 2020/21, Wales, together with Northern Ireland, the North East and the East of England, were the only areas not to have seen a “significant” decrease.<sup>52</sup>

49 Department of Work and Pensions (March 2021), [Family Resources Survey: financial year 2019 to 2020](#). The DWP states the survey gives a pre-Covid baseline picture.

50 Welsh Government, Annual Population Survey: Disability (January 2022), [Disability Status by Region](#)

51 G. Atkins, G. Dalton, A. Phillips and A. Stojanovic (April 2021), [Devolved public services: The NHS, schools and social care in the four nations](#), Institute for Government, p13

52 Department for Work and Pensions (November 2021), [The employment of disabled people 2021](#). In the past year London and Wales were the only areas to see the disability employment gap widen by more than 1 percentage point. However, this change was not statistically significant.

## Age

32. Wales has an older population than other UK nations. The median age of the UK population in 2020 was 40.4 years; in Wales it was 42.4. More than one in five residents (21%) are aged 65 years and over, a proportion that is second only to the South West of England.<sup>53</sup>

### National regional and age structure of UK, mid-2020

	Median Age (years)	Percentage of population aged 65 years and over	Percentage of population aged 85 years and over
UK	40.4	18.6	2.5
England	40.2	18.5	2.5
North East	41.7	20.1	2.5
North West	40.3	18.8	2.4
Yorkshire and the Humber	40.2	18.9	2.4
East Midlands	41.4	19.6	2.5
West Midlands	39.6	18.7	2.5
East	41.8	20.0	2.8
London	35.8	12.2	1.7
South East	41.9	19.7	2.8
South West	44.1	22.4	3.1
Wales	42.4	21.1	2.7
Scotland	42.1	19.3	2.3
Northern Ireland	39.2	16.9	2.1

Source: Office for National Statistics (25 June 2021) Population estimates for the UK, England and Wales, Scotland and Northern Ireland

33. The demographic balance of the population is expected to change further: the Welsh Government’s Chief Economist reported in 2021 that Wales not only “faces a challenge from the slow growth of, and potential decline in, its population”, it was anticipated to be most marked in the 16–64 age-group.<sup>54</sup> This not only has economic implications, due to this age-group being the most economically active, but also raises the likelihood of Wales having a higher proportion of the population with ill health or a disability.

53 Office for National Statistics (June 2021), [Population estimates for the UK, England and Wales, Scotland and Northern Ireland](#). Wales had the highest median age (42.4 years), followed by Scotland (42.1 years), England (40.2 years) and Northern Ireland (39.2 years). The South West (22.4%) had the highest percentage of people aged 65 years and over; Wales was 21.1% and the UK was 18.6%.

54 J. Price, Chief Economist, Welsh Government (20 December 2021), [Chief economist’s report](#), p1

## Geography

34. Wales is significantly more rural compared to much of the rest of the UK. Around a third of the Welsh population lives in an area classed as rural, compared to around 1 in 5 people in England, raising particular issues for benefit claimants, whether in work or not.<sup>55</sup>

35. One particularly significant issue for those living in rural Wales is connectivity—both in terms of transport infrastructure and digital access. In its written evidence, All Wales People First reported to us that “the infrastructure in some areas of Wales and the current public transport systems do not lend themselves well to being able to get around reliably and on time for appointments and work”.<sup>56</sup>

36. Poor accessibility also means that those on low incomes have less choice over where to shop. Conwy County Borough Council told us that this leads to people relying on the “more expensive, local convenience stores”. It called for people on low income in Wales to be given a free bus pass.<sup>57</sup>

37. Those with disabilities living in the countryside can face particular hurdles with claiming benefits. In its written evidence, Diverse Cymru stated that the lower rate mobility component of assessments is 200 metres, “yet for many people the nearest bus stop is 400 to 500 metres away and the nearest shops and services are the same”. It argued that the criteria should “reflect people’s circumstances and enable people to access essential services and to live their lives”.<sup>58</sup>

38. According to Ofcom, some 4% of Welsh premises have no access to ‘decent broadband’ via a fixed connection, compared to 2% in the UK overall. 43,000 of these premises are in rural areas.<sup>59</sup>

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55 E. Scott, House of Lords Library (27 January 2020), [Fact file: Rural economy](#). The proportion in Wales is 32.8% and in England 20.9%. However, the classification of areas as rural and urban is based on different methodologies so this comparison has limitations.

56 All Wales People First ([BSW0029](#))

57 Conwy County Borough Council ([BSW0004](#))

58 Diverse Cymru ([BSW0010](#))

59 Premises are considered to have access to a decent fixed connection if it has a download speed of at least 10 Mbit/s and an upload speed of at least 1 Mbit/s and to have access to an indoor 4G mobile service if a connection speed of at least 2 Mbit/s is available.

**Table 1: Premises with no access to 'decent broadband'****Premises unable to receive decent broadband from a fixed line**

	Total	Rural	Urban
England	2% (451,000)	7% (234,000)	1% (217,000)
Northern Ireland	6% (45,000)	17% (39,000)	1% (6,000)
Scotland	4% (100,000)	17% (87,000)	1% (13,000)
Wales	4% (55,000)	12% (43,000)	1% (11,000)
UK	2% (651,000)	9% (403,000)	1% (248,000)

Source: Ofcom (16 December 2021), Connected Nations 2021 Wales Report, p13. Premises are considered to have access to a decent fixed connection if it has a download speed of at least 10 Mbit/s and an upload speed of at least 1 Mbit/s and to have access to an indoor 4G mobile service if a connection speed of at least 2 Mbit/s is available.

Source: Ofcom (16 December 2021), [Connected Nations 2021 Wales Report, p.13](#)

Some 7,850 premises are unable to access a decent connection from any means, the majority of which are in rural areas.<sup>60</sup>

**Table 2: Ten local authorities in Wales with the highest (in descending order) number of premises****Ten local authorities in Wales with the highest (in descending order) number of premises which are unable to receive decent broadband from either 4G, Fixed connection or WISP**

Local authority	Premises without Mobile Fixed-WISP	
Powys	2,529	3.6%
Camarthenshire	1,050	1%
Ceredigion	947	2.5%
Gwynedd	850	1%
Monmouthshire	753	2%
Pembrokeshire	548	1%
Conwy	390	1%
Denbighshire	310	1%
Wrexham	137	0.2%
Anglesey	103	0.3%

Source: Ofcom (16 December 2021), Connected Nations 2021 Wales Report, p20

Source: Ofcom (16 December 2021), [Connected Nations 2021 Wales Report, p20](#)

## Housing

39. The National Residential Landlords Association reported to us that private rented sector households were “proportionally more likely” to see a shortfall between the Local Housing Allowance<sup>61</sup> rate and their rents compared with similar households across Britain.<sup>62</sup> According to the Bevan Foundation, the LHA rate only covers the full, advertised rent of less than 1 in 20 (4.8%) properties on the market.<sup>63</sup> Though the UK Government restored the level of the Local Housing Allowance (LHA) to 30% during the pandemic, it has now frozen this.

40. The Bevan Foundation also reported to us that the under-occupancy policy impacts a higher proportion of social housing tenants in Wales than across Great Britain as a whole.<sup>64</sup> The Trussell Trust found that comparatively more people referred to its food banks in Wales were impacted by this policy (29%) compared to the UK as a whole (18%).<sup>65</sup>

41. The reason for this, according to the Welsh Revenues and Benefits Managers Group, is that the geography of Wales “does not lend itself to widespread 1-bed flat/apartment construction outside of key cities and in such cities, these have been predominantly developed for the use of ‘professionals’ and not the wider rented sector”.<sup>66</sup>

**42. The demographic, economic and geographic challenges we have highlighted set the context for the benefits system in Wales. While it is a reserved competence, that does not mean the environment in which it operates is identical to that elsewhere in Great Britain. While the evidence shows that the key challenges for the benefits system in Wales are broadly similar to those in the other nations and regions of the U,K there are some important demographic differences that mean that some of the challenges facing the benefits system are more prominent in Wales. There are pressures here which underline the need for the UK Government to be conscious of the Welsh context when deciding welfare policy.**

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61 The Local Housing Allowance is used to work out how much help with housing costs a claimant can get if they rent privately.

62 National Residential Landlords Association ([BSW0029](#)). It stated that, of the 63,862 households in Wales in receipt of Universal Credit, 44,984 (70%) had a UC award where the Local Housing Allowance rate did not cover their rents. In Britain, as a whole, the figure was 856,253 (55%). The figures refer to claimants in receipt of a Universal Credit award with a housing cost support element included.

63 Bevan Foundation (September 2021), [Wales’ housing crisis: the role of LHA](#) p1

64 Bevan Foundation ([BSW0025](#)). It states that the proportion in Wales is approximately 15% compared with 12% across Great Britain.

65 Trussell Trust ([BSW0044](#))

66 Welsh Revenues and Benefits Managers Group ([BSW0031](#))

### 3 Lessons from the pandemic for the UK social security system

43. The Covid-19 pandemic placed unprecedented pressure on the social security system in Wales and across the United Kingdom. This chapter looks at the performance of the Department for Work and Pensions (DWP) and the benefits system in responding to the pandemic, as well as the lessons for the system going forward.

44. Before we look at the lessons from the pandemic for the social security system, it may be worth briefly considering the situation pre-pandemic. As this chapter details, the staff and leadership of the DWP received considerable praise for their collective response to the unprecedented challenges posed by the pandemic. However, it is important to note that there were concerns about the effectiveness of the system which predate the pandemic. These include concerns about the accessibility of the system, not least for those who are digitally excluded;<sup>67</sup> adequacy of benefits;<sup>68</sup> disability assessment processes;<sup>69</sup> and the five-week waiting period between new benefit claimants applying and receiving their first payment.<sup>70</sup>

45. We also heard about the cumulative impact of the fiscal consolidation that took place following 2010—particularly the decision taken in 2015 by the then Chancellor of the Exchequer, the Rt Hon George Osborne MP to freeze some working-age benefits. According to Mr Osborne the choices were taken in order to put the benefits system on “a more financially sustainable footing” and that the “best route out of poverty is work”.<sup>71</sup>

46. The Resolution Foundation has calculated that, after adjusting for price increases, the freeze had cut the real level of those benefits by 6 per cent, and in many cases that has come on top of earlier real cuts”.<sup>72</sup> The Institute for Government and Social Security Advisory Committee reported in 2021 that many benefit rates over the 45 years prior to the pandemic had “fallen appreciably relative to average earnings and, in the last decade, in real terms. In some cases, they had reached historic lows”.<sup>73</sup> According to Professor Lisa Scullion, Professor of Social Policy at the University of Salford, “routinely people told us of the severe financial difficulties they had in managing on the money and the choices you have to make on a day-to-day basis on what you spend that money on: rent, food, heating”.<sup>74</sup>

47. Charlotte Pickles, Director of the Reform think tank and formerly a Special Adviser in the DWP, told us that:

67 See, for example, [Q17](#), Care and Repair Cymru ([BSW0015](#)) and Community Housing Cymru ([BSW0040](#)).

68 See, for example, Child Poverty Action Group ([BSW0009](#)), Citizens Advice Cymru ([BSW0018](#)), Save the Children ([BSW0042](#)) and Cymorth Cymru ([BSW0043](#)).

69 See, for example, Zacchaeus 2000 Trust ([BSW0006](#)), Swansea Council ([BSW0020](#)), Samaritans Cymru ([BSW0023](#)), Welfare Rights Advisors Cymru ([BSW0027](#)) and MS Society Cymru ([BSW0030](#)).

70 See, for example, Community Housing Cymru ([BSW0040](#)), Save the Children ([BSW0042](#)) and Shelter Cymru ([BSW0048](#)).

71 UK Government (8 July 2015), [Chancellor George Osborne’s Summer Budget 2015 speech](#)

72 Resolution Foundation (October 2019), [The benefit freeze has ended, but erosion of the social security safety net continues](#)

73 Institute for Government and Social Security Advisory Committee (March 2021), [Jobs and benefits: the COVID-19 challenge](#), p31

74 [Q13](#)

After the financial crisis, the decisions taken by the Government in terms of fiscal consolidation, trying to get the public finances on track, meant that [...] the pressure to take money out of the system was huge and not altogether welcome at all times.<sup>75</sup>

48. However, Ms Pickles also emphasized what she felt to be the successes of the policies undertaken by the DWP during this period. According to Ms Pickles, “making work pay was a massive driver around delivering Universal Credit” and despite the cost constraints mentioned above, “work still does pay better than it did”. Ms Pickles also mentioned the simplicity of the system, arguing that Universal Credit “is much simpler, it is easier to claim—and we saw that it did not fall over during the pandemic”.<sup>76</sup>

49. The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, described Universal Credit’s assessment period and payment structure as “fundamental parts of its design”. He argued that it reflected “payment patterns in the world of work, where most people are paid monthly. Ensuring similarities between paid employment and receiving benefits eliminates an important barrier which could prevent claimants from adjusting to paid employment”.<sup>77</sup> He told us that “the system supports people well, and it did so through the pandemic. It is flexible and it is agile. Now, with the new situation we find ourselves in, our top priority is to get those people that need it into work”.<sup>78</sup>

50. The UK Government has also proposed supporting people with making and maintaining a claim, both through digital support but also via telephone.<sup>79</sup> It also intends to reform disability assessments, including offering greater flexibility and simplicity in the way that assessments are delivered and improving the evidence used to make decisions.<sup>80</sup>

## DWP delivery in Wales

51. The first lockdown had an immediate and unprecedented impact. One in five jobs in Wales were in the sectors where most businesses were forced to close or reduce trading.<sup>81</sup> Some 474,600 employments were furloughed at some point during the lifespan of the Coronavirus Job Retention Scheme.<sup>82</sup> However, the impact was uneven. For example, those under the age of 25 were more likely to work in industries which had to close in the early stages of the pandemic. In addition, people from low-income households were the most likely to lose their jobs, lose their income or be furloughed.<sup>83</sup>

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75 [Q58](#)

76 [Q58](#)

77 UK Government, UIN 108470 (25 January 2022), [Written questions and answers - Written questions, answers and statements - UK Parliament](#)

78 [Q218](#)

79 F. Hobson (16 July 2021), [Universal Credit: Ten years of changes to benefit claims and payments](#) House of Commons Library: Briefing Paper No. 9109, p20

80 UK Government (July 2021), [Shaping future support: the health and disability green paper - GOV.UK \(www.gov.uk\)](#), Foreword

81 Social Mobility Commission (July 2021), [State of the Nation 2020–21: Social Mobility in Great Britain](#) p160. The figure reported was 250,000.

82 HM Revenue and Customs (December 2021), [Coronavirus Job Retention Scheme statistics: 16 December 2021: Table 7](#)

83 Welsh Government (September 2021), [Wellbeing of Wales: 2021](#). Some 27% of employees in those industries were aged under 25. Senedd Research (25 May 2021), [Poverty and supporting low-income households](#).

52. By April 2021, the claimant count was almost twice the level seen at the start of 2020.<sup>84</sup> Sarah Pearson, Area Director Work and Health Services, Wales, told us that daily claims increased by 10 times and caseloads rose in Wales by “about 76%”.<sup>85</sup>

53. However, the benefits system was able to withstand the immensity of the challenges posed by the pandemic. While we heard some concerns about the digitisation of Universal Credit, it overwhelmingly proved its value during the pandemic.<sup>86</sup> The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, told us that the Universal Credit system had been “stress-tested... to the highest level and we have seen that it is agile, it is responsive, and it did not fall over. People got paid when they needed to”.<sup>87</sup>

54. The Welsh Government welcomed the speed of the response, saying that it showed that the system could be “be flexible and respond proactively to significant challenges”.<sup>88</sup> Anvar Sarygulov from the think tank Bright Blue told us that the Universal Credit system was “able to pick up [the increased demand] without much issue. The legacy system would not have been able to respond to that”.<sup>89</sup> Deputy Chief Executive of the Resolution Foundation, Dr Mike Brewer, described the digitisation as an “enormous resource”.<sup>90</sup>

55. We also heard evidence about the response from DWP staff. Professor Lisa Scullion, Professor of Social Policy at the University of Salford, told us that there were “very positive views” about the DWP from many of the claimants her team had interviewed.<sup>91</sup> Professor Scullion noted that respondents to her surveys had reported “positive interactions with staff when they talked to them on the phone, so there were things that worked really well”.<sup>92</sup>

56. The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, told us that DWP staff were “unsung heroes” who were “incredibly dedicated”. He described the response as “all hands to the pump” and noted how “everybody turned their attention to how they could help fulfil these claims—so much so that people who are now in my private office turned to the frontline”.<sup>93</sup>

**57. The pandemic demonstrated how resilient the UK social security system can be in the face of significant challenges. Despite the huge surge in demand, Universal Credit continued to function and benefits were paid out to a markedly increased pool of claimants. That Universal Credit was able to withstand these pressures was a result not only of digitisation, but also the immense efforts of DWP staff, and also to the leadership of the DWP. We want to pay tribute to their commitment and hard work in facing such unprecedented challenges.**

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84 Senedd Research (24 May 2021), [Recovering from the “biggest economic challenge in living memory”](#). The claimant count is the number of people receiving Jobseeker’s Allowance, or who receive Universal Credit and are required to look for work. Senedd Research reports that some of this increase will have been caused by changes to Universal Credit eligibility.

85 [Q219](#)

86 See [Q17](#), [Q196](#), Conwy Borough Council ([BSW0004](#)), Swansea Council ([BSW0020](#)), Community Housing Cymru ([BSW0040](#)) and Disability Wales ([BSW0049](#)).

87 [Q217](#)

88 Welsh Government ([BSW0036](#))

89 [Q64](#)

90 [Q60](#)

91 [Q21](#)

92 [Q17](#)

93 [Qq211](#) and [234](#)

## Benefit support during the pandemic

58. As noted in the preceding section, the pandemic had immediate and significant consequences for hundreds of thousands of people in Wales. Dr Victoria Winckler, Director of the Bevan Foundation, told us that the pandemic had taught us that:

[...] the social security system really matters and that it can matter to any of us. It should not be regarded as something that is only the province of people who do not draw their curtains in the morning.<sup>94</sup>

59. The UK Government responded to Covid-19 by introducing new, or extending existing, packages of support for benefit claimants. Not only did it consider financial need, but also how the operation of the system should change to accommodate social distancing, self-isolation or shielding.

60. The most high-profile of the changes was the so-called ‘uplift’: the £20 per week increase in Universal Credit and Working Tax Credit. Community Housing Cymru told us that the uplift had been “fundamental” in enabling tenants to manage their finances and stay out of debt.<sup>95</sup> Shelter said that it had had a “significant, positive effect, delivering support directly to the people who need it the most”, while Welsh Revenues and Benefits Managers described it as a “lifeline”.<sup>96</sup> Gwennan Hardy of Citizens Advice Cymru told us that its loss was “going to be a big challenge over winter, and particularly in spring next year when you are going to see other changes coming into play”.<sup>97</sup>

61. The Chancellor of the Exchequer, the Rt Hon Rishi Sunak, brought in the uplift in March 2020 to “strengthen the safety net”.<sup>98</sup> In its written submission to our inquiry, the Joseph Rowntree Foundation argued that the provision of the £20 uplift during the pandemic could be seen as “an acknowledgement that the social security lifeline was not strong enough to adequately protect families from harm in difficult times”.<sup>99</sup> Citizens Advice Cymru told us that, prior to the pandemic, the proportion of debt clients receiving income-related benefits who have £0 or less in their monthly budget rose from 38% in 2017–18 to 44% in 2019–20. It argued that this suggested that “the loss in the value of benefits over recent years has been having a direct impact on the people we help and their ability to pay for essentials”.<sup>100</sup>

62. Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us that “(w)e can have all sorts of debates about what is adequate... but ultimately what we are trying to do is to create this safety net, and it has been developed over time with conditions, and then help people get on their own two feet”.<sup>101</sup>

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94 [Q95](#)

95 [Community Housing Cymru \(BSW0040\)](#)

96 [Shelter \(BSW0048\)](#), [Care and Repair \(BSW0015\)](#). See also, for example: [Conwy County Borough Council \(BSW0004\)](#), [Dr Sara Closs Davies](#), [Dr Hefin Gwilym](#) and [Dr Dave Beck \(BSW0013\)](#), [Children’s Commissioner for Wales \(BSW0016\)](#), [Children in Wales \(BSW0034\)](#), [Cymorth Cymru \(BSW0043\)](#) and [Chwarae Teg \(BSW0008\)](#)

97 [Q206](#)

98 [UK Government \(20 March 2020\)](#), [The Chancellor Rishi Sunak provides an updated statement on coronavirus.](#)

99 [Joseph Rowntree Foundation \(BSW0019\)](#)

100 [Citizens Advice Cymru \(BSW0018\)](#). See also: [Conwy County Borough Council \(BSW0004\)](#), [Diverse Cymru \(BSW0010\)](#), [Dr Sara Closs Davies](#), [Dr Hefin Gwilym](#) and [Dr Dave Beck \(BSW0013\)](#), [Save the Children \(BSW0042\)](#), [Cymorth Cymru \(BSW0043\)](#) and [Trussell Trust \(BSW0044\)](#).

101 [Q221](#)

63. However, we also received evidence that the uplift had been insufficient to deal with the extra challenges that claimants faced. Save the Children argued that families were already facing “high levels of financial difficulty” so the additional support was used to “plug the gaps” that were already there.<sup>102</sup> A participant in the Covid Realities research project, Lexie, reported that a flat £20 increase was “still insufficient, and doesn’t reflect different levels of need in different families of different sizes”.<sup>103</sup> Anvar Sarygulov, Senior Research Fellow at the think tank Bright Blue, told us that the uplift had been an “acknowledgement that the levels had fallen too low in the previous decade”.<sup>104</sup>

64. Professor Christina Beatty, Centre for Regional Economic and Social Research, Sheffield Hallam University, told us that the financial impact of the end of the temporary uplift amounted to £245 million a year in Wales. She emphasised that:

[it] is not money that people put away for a rainy day. That is money that people use on day-to-day living expenses and is spent in those local communities. It has an impact on the local economy as well as on the individuals.<sup>105</sup>

65. However, Anvar Sarygulov, Senior Research Fellow at the think tank Bright Blue told us there are “probably better ways” to spend the money, such as giving new Universal Credit claimants grants rather than loans or modifying the taper rate.<sup>106</sup> While Charlotte Pickles, Director of the think tank Reform, suggested that putting money back into the standard allowance might be “an effective way” of supporting a family struggling with living costs in the short-term, she told us that longer-term “you have to be able to reduce demand in order to be more generous”.<sup>107</sup> She argued that the UK Government should look at incentives for second earners, the taper rate and earnings disregards.<sup>108</sup>

66. Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, emphasised to us that the uplift had only ever been planned as a temporary measure “to help with the most extreme elements of the pandemic”. He argued that the situation was now different, arguing that “there are vacancies out there, and now what we need to do is encourage work incentives”. He cited the reduced taper rate and increased working allowances announced in the autumn Budget—both of which will be discussed later in this chapter.<sup>109</sup>

67. The overwhelming majority of evidence submitted by agencies to this inquiry (written and verbal) called for the £20 UC uplift to be retained/reinstated and a number of contributors called for it to be extended to legacy benefits. In its written submission the Welsh Government stated:

Welsh Ministers have consistently urged the UK Government to maintain the additional £20pw Universal Credit/Working Tax Credit uplift payment beyond the autumn. The recent announcement that it is the intent of the

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102 Save the Children ([BSW0042](#))

103 Covid Realities research project ([BSW0046](#))

104 [Q57](#)

105 [Q19](#)

106 [Q96](#)

107 [Q98](#)

108 [Q96](#)

109 [Q217](#)

UK Government to cease the payment will negatively impact many people across Wales (and the UK) who are struggling financially because of the pandemic.<sup>110</sup>

Citizens Advice Cymru made the following comment in their written submission:

One urgent change is to make the additional £20 per week in Universal Credit and Working Tax Credit permanent, and extend it to legacy benefits such as Employment and Support Allowance, Jobseeker’s Allowance and Income Support.<sup>111</sup>

68. The evidence submitted raised concerns about the detrimental impact that the five week wait for Universal Credit (UC) has upon households with Save the Children stating that:

The five-week wait in Universal Credit in particular causes high levels of hardship, as many families are not able to support themselves during this time. The five week wait has been linked to rising food bank use.<sup>112</sup>

69. A number of organisations called for the ending of the five week waiting time for UC. For instance in their written evidence submission Cymorth Cymru called for “measures to ensure Universal Credit is fully accessible and provides support for people when they need it, including an end to the five week waiting period from application point to receiving Universal Credit”.<sup>113</sup> While the Welsh Government commented in its written submission:

The five-week wait for Universal Credit claimants to receive their first payment has also brought challenges for Welsh claimants. We have repeatedly made calls for a reduction to the five week wait by introducing a shorter and more flexible assessment period, and by offering a one-off non-repayable grant at the start of the claimant’s application for Universal Credit.<sup>114</sup>

70. A large proportion of respondents giving evidence called for the removal of the benefit cap and an end to the two-child limit. In her written evidence the Children’s Commissioner stated that:

The cap on welfare benefits and the two-child limit currently in force serve to have an unequal impact on families living in poverty and is inconsistent with the commitments made by the UK through the ratification of the United Nations Convention on the Rights of the Child.<sup>115</sup>

In its written submission Pobl Group commented:

We would like to see the end of both the ‘two child rule’ in light of rising child poverty figures and the household benefit cap, both disproportionately impacting upon larger families who are out of work.<sup>116</sup>

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110 Welsh Government ([BSW0036](#))

111 Citizens Advice Cymru ([BSW0018](#))

112 Save the Children ([BSW0042](#))

113 Cymorth Cymru ([BSW0043](#))

114 Welsh Government ([BSW0036](#))

115 The Children’s Commissioner for Wales ([BSW0016](#))

116 Pobl Group ([BSW0035](#))

71. We also received evidence in support of the increase in the Local Housing Allowance (LHA), the rate of which was raised to the 30th percentile of market rent in each area. The Joseph Rowntree Foundation reported that this increase benefited “some 45,000” households in Wales and Cymorth Cymru described it as making “a positive difference”.<sup>117</sup> However, both organisations were concerned about the UK Government’s later decision to freeze this rate at March 2020 levels.<sup>118</sup> The Joseph Rowntree Foundation argued that it would lead to “gaps re-emerging between actual rents and the amount of support available at a time when that support is most needed”.<sup>119</sup> Shelter Cymru called for an end to the “bedroom tax” and the Chartered Institute of Housing called for the removal of the shared accommodation rate (of Universal Credit) for under 35s.<sup>120</sup>

72. Some of the actions to support disability claimants, particularly the suspension of face-to-face assessments, received a mixed response. Many people with disabilities found the switch to online assessments far less stressful than face-to-face, but this view was not universal.<sup>121</sup> Cordelia Deady, Welfare Rights Supervisor, Wrexham County Borough Council told us, for example, that while some claimants had welcomed digitisation, this was not true for all claimants:

If you are not confident with literacy, with computers, if you only have a smartphone with mobile data, it is hard. There is no one simple answer.<sup>122</sup>

Similarly, Megan Thomas, Policy and Research Officer, Disability Wales, told us that a “blended approach” was needed, with claimants able to communicate with the system in the way “that suits them best”.<sup>123</sup>

73. Cordelia Deady, Welfare Rights Supervisor, Wrexham County Borough Council told us that advisors found their efforts to help people apply for Universal Credit were being impeded by the need for claimants to give explicit consent to a third party acting on their behalf.<sup>124</sup> Pre-UC legacy benefits use an ‘implicit consent’ model, whereby DWP staff can use their ‘judgement and experience’ to decide whether the claimant has consented to a third party acting on their behalf.<sup>125</sup>

74. Ms Deady told us that:

We find people are scarily willing to share their passwords. There is a real risk that, by trying to secure people’s data and by not allowing implicit consent, the DWP is encouraging clients to do something even riskier and let someone have back-door access to all their information.<sup>126</sup>

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117 Joseph Rowntree Foundation ([BSW0019](#)) and Cymorth Cymru ([BSW0043](#))

118 Joseph Rowntree Foundation ([BSW0019](#)) and Cymorth Cymru ([BSW0043](#))

119 Joseph Rowntree Foundation ([BSW0019](#))

120 Shelter Cymru ([BSW0048](#)). The “bedroom tax” refers to the UK Government’s removal of the spare room subsidy, whereby Housing Benefit is based on the number of people in the household and the size of the accommodation, [Local authorities and advisers: removal of the spare room subsidy - GOV.UK \(www.gov.uk\)](#). Chartered Institute for Housing ([BSW0045](#))

121 Diverse Cymru ([BSW0010](#))

122 [Q195](#)

123 [Q197](#)

124 Work and Pensions Committee (19 October 2020) [Universal Credit: the wait for a first payment, Third Report of Session 2019–21](#), HC 204, para 141. Depending on the issue, explicit consent may need to be given repeatedly.

125 Work and Pensions Committee (14 October 2020), [Universal Credit: the wait for a first payment \(parliament.uk\)](#) para. 141

126 [Q185](#)

Ms Deady felt that implicit consent had “worked brilliantly for all the other benefits”. Alison Corriea, Welfare Adviser, Cartrefi Conwy Housing Association felt it was “much easier to deal [with] and get problems sorted”.<sup>127</sup>

**75. We were concerned to hear that welfare rights advisors believe that Universal Credit’s explicit consent model has impeded their ability to help claimants and has led to some people sharing personal data such as passwords. We would welcome the UK Government reviewing its decision to end the implicit consent model of the legacy benefit system.**

**76. *The DWP should run a consultation with welfare rights advisors on Universal Credit’s explicit consent model and examine whether any changes are necessary.***

77. The UK Government also made changes to Statutory Sick Pay (SSP), making it payable from the first day of illness if a claimant could not work due to coronavirus, extending it to cover those shielding and allowing those self-isolating to provide ‘isolation notes’ rather than fit notes.<sup>128</sup>

78. According to the TUC, the UK has the least generous statutory sick pay in Europe, worth just £96.35 per week—around 15 per cent of average earnings, compared to an OECD average of over 60 per cent.<sup>129</sup> It is only available to employees earning £120 per week or more—meaning two million workers nationwide, mostly women, do not qualify.<sup>130</sup>

79. In April 2021, the Resolution Foundation reported that “our pre-existing system gave workers little protection against being sick” and that “around two million low-paid employees... are entitled to nothing”.<sup>131</sup> Dr Victoria Winckler, Director of the Bevan Foundation, described sick pay as a “real Cinderella area”. She told us that people working in hospitality, social care and retail saw it as “the biggest concern that they had”. She argued that it was “not just a benefit issue, it is a public health issue as well in that people are going into work, spreading infections of whatever sort, sometimes to vulnerable people as well”.<sup>132</sup> Dr Winckler told us that she would “very much urge a rethink of the sick pay scheme, not only in terms of the level of it but also the duration for which it can be paid and the interface with other benefits”.<sup>133</sup>

80. The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us that SSP needed to be looked at “in the round” with other benefits being paid. He argued that it was “wrong to look at it in isolation. We need to look at what is available within [Universal Credit], and at other payments for individuals, especially if they have a longer-term condition”.<sup>134</sup> He told us that:

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127 [Q201](#)

128 F. Hobson (26 October 2021), [Coronavirus: Withdrawing crisis social security measures](#), House of Commons Library: Briefing Paper No. CBP08973 pp33–34

129 Trades Union Congress (17 January 2022), [TUC: Cutting self-isolation period won’t fix UK’s fundamental sick pay problem | TUC](#). Accessed 09 March 2022.

130 Resolution Foundation (April 2021) [In-need-of-support](#) p11 and p29. To be eligible for sick pay, employees or agency workers have to earn an average of at least £120 per week. UK Government [Statutory Sick Pay \(SSP\) : Eligibility](#)

131 Resolution Foundation (April 2021) [In-need-of-support](#) p11

132 [Q72](#)

133 [Q72](#)

134 [Q222](#)

To say that because of that unique situation, we need to change statutory sick pay completely—pre-pandemic, the economy was in good shape and employment prospects were improving, and that is where we want to get our economy back to, so that people have the financial resilience to be able to cope with a week off for flu, or whatever it might be.<sup>135</sup>

81. **The UK Government must urgently review the level at which Statutory Sick Pay (SSP) is set. At only £96.35 per week, it is equivalent to only 20 per cent of the average wage—compared to 100 per cent in Germany and 90 per cent in France. *In the interest of public health and to ensure that nobody is forced to choose between keeping themselves and others safe or putting food on the table, the UK Government must commit to increasing the level of SSP. The DWP should write to the committee with an update on progress within 6 months.***

82. **Given the comparatively high proportion of low paid workers in Wales, we were concerned to hear of issues regarding the eligibility criteria for Statutory Sick Pay. While we acknowledge that there may be other support available to unwell workers, the pandemic has highlighted the dangers of someone attending work when they are unwell. Sick pay benefits wider society, not just the sick, and we would welcome the UK Government reviewing the eligibility criteria for this benefit.**

83. **We welcome the swift changes to the financial support many claimants received during the pandemic, as well as to the operation of the overall system. We received evidence of the significant difference that the temporary £20 uplift made to those eligible claimants, as well as other support measures such as the increase in the Local Housing Allowance percentile. However, we received evidence of concerns about the impact of these temporary measures coming to an end.**

84. **We acknowledge that the UK Government has difficult choices to make in ensuring that the benefits system is financially sustainable in the long-term. We welcome its reduction of the taper rate and increase in the work allowance in the autumn Budget.**

85. **However, in light of concerns about the rising costs of living, there is a need for a discussion about how to ensure benefits are adequate, affordable and sustainable. On the basis of the evidence presented there is a need for an urgent review of: ending the £20 UC uplift; the 5 week wait for UC; the benefit cap and the two- child limit; bedroom tax; shared accommodation rate (of Universal Credit) for under 35s; freeze of LHA rate at March 2020 levels.**

86. ***It is clear that current benefit levels are inadequate. In the short term, the £20 uplift should be reintroduced at the Budget in March 2022 and extended to legacy benefits.***

87. **Without the uplift, benefits for the unemployed are at their lowest real-terms level since the early 1990s. Had they grown in line with GDP per capita since 1990, they would be £40 a week higher. The future value of benefits is also being reduced given the increasing cost of living, as inflation is predicted to rise above 7% by April, but benefits for those in work and unemployed are only rising by 3.1%.**

88. ***We urge the UK Government to use nearer-term forecasts to increase benefits in line with the actual rate of inflation that will apply in April 2022. As a long-term solution***

*to these issues, the DWP should outline what the benefit system is trying to achieve and how this can be measured, particularly in relation to ending poverty. The DWP should then develop and publish clear metrics for determining benefit levels, based on this overall strategy.*

## Support for in-work claimants

89. Some 39% of Universal Credit claimants are already in work: the issue for them is not finding a job but finding a higher paid one or more hours.<sup>136</sup> As discussed in paragraphs 25–27, Wales has one of the highest rates of in-work poverty in the UK: together with the Midlands and the North of England, it is second only to London.<sup>137</sup> Child Poverty Action Group told us that improving the way that the benefit system supported working parents was “crucial” if rates of child poverty were to fall.<sup>138</sup>

90. We also received evidence that suggested that the support provided could go much further. Charlotte Pickles, Director of the think tank Reform, told us that:

If you are really saying to people that they are better off in work—and we should want that to be the case, not just for the financial implications but for the social inclusion and the health and welfare of people—being able to keep more of that money they earn for a bit longer would be a very good investment by the taxpayer.<sup>139</sup>

91. The independent In-Work Progression Commission published a report in July 2021 on the barriers facing those in low-pay jobs. Among other findings, the Commission called on the UK Government to “consider how the design of Universal Credit, especially the taper rate and work allowances, can best support progression incentives”.<sup>140</sup>

92. During our inquiry, the Chancellor of the Exchequer, the Rt Hon Rishi Sunak MP, announced in the 2021 autumn Budget two significant changes to Universal Credit. The first change was a reduction in how much Universal Credit is withdrawn when a person starts paid employment, from 63% to 55%. The second change was an increase in working allowances for claimants with children or limited capability for work.<sup>141</sup>

93. While the Chancellor of the Exchequer changed the levels of both the taper rate and work allowances in the autumn Budget, evidence we received points to further ways in which Universal Credit could be adapted in the interests of those who work. These included creating incentives for second earners or broadening the net of who receives work allowances.

94. In its written evidence, the Welsh Government stated that the UK Government’s abolition of work allowances for any claimant without children or limited capability to

136 Work and Pensions Committee, September 2021 [Thousands face ‘severe hardship’ as Minister rejects UK-wide call to keep Universal Credit uplift.](#)

137 Institute for Public Policy Research, May 2021 [Revealed: Working family poverty hits record high, fuelled by rising housing costs and childcare challenges.](#) The figures concern the period 2017/18 - 2019/20. Accessed 12 January 2022.

138 Child Poverty Action Group ([BSW0009](#))

139 [Q97](#)

140 In-Work Progression Commission (July 2021), [Supporting progression out of low pay: a call to action: Recommendation 2.4.](#)

141 HM Treasury (December 2021), [Autumn Budget and Spending Review 2021.](#) The amount by which Universal Credit is withdrawn is called the taper rate.

work had “undermined the key policy aim that Universal Credit makes work pay”.<sup>142</sup> The Pobl Group, which represents social housing landlords, also called for the reinstatement of work allowances for claimants without children, while Chwarae Teg has argued that providing allowances for second earners would help to improve gender equality, as women are often the second earner.<sup>143</sup>

**95. Around 39% of claimants are in work. Many of those who became eligible for Universal Credit during the pandemic will have done so through losing income while on furlough rather than through losing a job. For those whose pay is supplemented by Universal Credit, the issue is not finding work, it is finding higher paid work. Accordingly, we welcome the changes in the autumn Budget to the taper rate and work allowance, putting more money into the hands of working households, and urge it to keep under review further changes which would benefit those in work.**

**96. *The UK Government should take forward the recommendations of the In-Work Commissioner and review how the taper rate and work allowances can best support in-work progression.***

## Support for the Self-employed

97. 13.3% of the Welsh workforce overall is self-employed, this compares closely with the UK average of 13.5%. Levels of self-employment vary considerably across Wales: in Powys, 25.4% of the workforce is self-employed, while in Neath Port Talbot the self-employed only account for 6.4% of the total workforce.<sup>144</sup>

98. In March 2020, the UK Government announced the [Self-Employment Income Support Scheme \(SEISS\)](#), paying taxable grants worth 80% of someone’s average monthly trading profit for a three-month period. A further five grant schemes were run over the lifetime of the scheme.<sup>145</sup> Across the five schemes, 122,000 self-employed individuals in Wales made 418,000 claims worth £1.1 billion; in Scotland 628,000 claims were made by 175,000 individuals for £1.7 billion; and in Northern Ireland 294,000 claims were made by 85,000 individuals for £0.8 billion.<sup>146</sup>

99. However, the Institute for Fiscal Studies reported that the scheme only offered support to “just over 80%” of those who got the majority of their income from self-employment, as those with an income over £50,000, did not have a recent tax return or who ran their business as a limited company were not eligible to apply.<sup>147</sup>

100. In addition, some of those who applied for Universal Credit may have found they were not eligible to claim as savings they had accrued to pay for future tax bills put them

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142 Welsh Government ([BSW0036](#))

143 Pobl Group ([BSW0035](#)) and Chwarae Teg ([BSW0008](#))

144 StatsWales (27 January 2022), [Status of employed persons by Welsh local authority and measure](#)

145 A. Seeley (28 January 2022), [Coronavirus: Self-Employment Income Support Scheme](#), House of Commons Library: Briefing Paper No. 8879, p4–6. Those claiming could receive a grant up to £7,500 in total. The SEISS ended in September 2021.

146 HM Revenue and Customs (16 December 2021), [Self-Employment Income Support Scheme statistics: December 2021](#). Section 5.

147 Institute for Fiscal Studies (02 April 2020), [Income protection for the self-employed and employees during the coronavirus crisis](#) and A. Seeley (28 January 2022), [Coronavirus: Self-Employment Income Support Scheme](#), House of Commons Library: Briefing paper No. 8879, p9–10.

above the Universal Credit savings limits.<sup>148</sup> Dr Mike Brewer, Deputy Chief Executive of the Resolution Foundation, told us that “arguably [capital limits] should be different for self-employed and employed people”. He believed that the UK Government should “think about how they want to ensure and protect self-employed people in the event of shocks, and get those systems in place before the next economic crisis”.<sup>149</sup>

101. When asked if the UK Government would review the capital savings limits for the self-employed, Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us that “at this stage there are no plans to change the capital limits” but acknowledged that the UK Government had “learned more” during the pandemic.<sup>150</sup>

102. The UK Government also helped self-employed claimants by suspending the Minimum Income Floor. Pre-pandemic, if a self-employed Universal Credit claimant’s earnings fell below the so-called Minimum Income Floor, then this was used to work out the claim instead of their actual earnings, thereby reducing the amount that a claimant would otherwise receive. The UK Government suspended the Floor in March 2020 but began reintroducing it from 31 July 2021.<sup>151</sup>

103. The charity Shelter Cymru argued that, given the extent of self-employment in Wales, its reintroduction would lead to “disproportionate numbers of people further into poverty in Wales”.<sup>152</sup> Ending the suspension and other pandemic-related measures, would “pull the rug from under people still recovering from the impacts of Covid on their finances and housing situations”.<sup>153</sup>

104. However, the Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, defended the Floor, arguing that it was there to encourage people to “make sure that their business is viable”. He said the Government had given “extended periods where people can prove the concept of their business” and were able to receive support from work coaches.<sup>154</sup> Of the 1,058 Work Coaches in Wales, 60 are specialists who are trained in working through business plans with claimants to assess if they are gainfully self-employed.<sup>155</sup>

## Post Pandemic

105. Concern was expressed about the persistence of poverty and hardship experienced by people in receipt of social security benefits and the continued inadequacies of the system that contributed to this. For instance, Dr Victoria Winckler, Director of the Bevan

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148 UK Government, [Universal Credit: Eligibility](#) (accessed 07 February 2022). People with savings of more than £16,000 are not eligible for Universal Credit, while those with savings between £6,000 and £16,000 receive lower payments.

149 [Q75](#).

150 [Q237](#)

151 F. Hobson (26 October 2021), [Coronavirus: Withdrawing crisis social security measures](#), House of Commons Library: Briefing Paper No. CBP08973 p11. The UK Government began reintroducing the Floor from 31 July 2021.

152 Shelter ([BSW0048](#)). See also Purple Shoots Business Lending ([BSW0002](#)), Conwy Borough Council ([BSW0004](#)), United Welsh ([BSW0005](#)), Child Poverty Action Group ([BSW0009](#)), Bright Blue ([BSW0024](#)) and Welfare Rights Advisors Cymru ([BSW0027](#))

153 Shelter ([BSW0048](#))

154 [Q238](#)

155 Information supplied by DWP

Foundation stated that “while the pandemic proved the vital importance of having a social security system, it also highlighted some of the significant weaknesses within what we have”.<sup>156</sup>

106. The move to return to the pre-pandemic system and measures such as conditionality and the lowering of levels of benefit was criticised by some respondents who believe it will result in further and increased poverty and hardship for people. The persistence of the stigmatisation of social security recipients remains a concern.

107. Concern was expressed about what will happen as we emerge from the pandemic, particularly in the context of a cost of living crisis. A number of respondents such as Dr Victoria Winckler, Director of the Bevan Foundation stated that

The pandemic has deepened economic inequalities with low-income households more likely to be affected by the economic impact of the pandemic. The proposed cuts to the social security system could further entrench these inequalities.

**108. We welcome the extent of support that the UK Government provided during the pandemic, but we note that not all self-employed people were eligible. We welcome the UK Government’s acknowledgement that it has “learned more” about the issues with capital limits and we would welcome more details from the DWP about the lessons it has learned.**

## 4 Intergovernmental relations

109. The benefits system intersects with a wide range of devolved responsibilities, such as education and skills, housing and health. Claimants may need to develop skills, require careers advice or access suitable transport to attend a course. Such areas are the responsibility of the Welsh Government. This chapter examines the effectiveness of the relationship between the two Governments at both a policy and operational level. It also explores the potential implications of the Welsh Government’s pilot of basic income and considers whether the benefits system should be devolved.

### Dialogue between the two Governments

110. We heard that there was a generally good relationship at an official-to-official level between the Welsh Government and the Department for Work and Pensions (DWP). The Welsh Government’s Minister for Social Justice, Jane Hutt MS, for example, told us that the Welsh Government worked “very closely” with the DWP and would like to work “even closer”.<sup>157</sup> Speaking for the UK Government, the Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us that:

Yes, there are occasionally some bumps in the road, but when I see the degree of collaborative working between the two different Governments and when we see the work that is happening locally as well—with support from Members of Parliament from both sides—to me this is a system that is working.<sup>158</sup>

111. Andrew Latto, Deputy Director of the Devolution, Pensioner Benefits and Carer’s Allowance Policy Group in the DWP, told us that those “bumps” had arisen as a result of communication issues. He said that:

we just did not know the right people to talk to. We needed to reach out—in our case into the Welsh Government, and in the Welsh Government’s case into DWP—to find the right people to talk to to sort that out, so that people did not suffer inadvertently as a result.<sup>159</sup>

He told us that there was now a “greater propensity” from the Welsh Government to engage with the UK Government earlier, while the “policy side” of DWP now had a “much greater awareness of the devolution settlement—of what is devolved in Wales and what is not”.<sup>160</sup>

112. While both Governments were positive about how officials worked together at an operational level, the Welsh Government’s Minister for Social Justice, Jane Hutt MS described the engagement of UK ministers as “disappointing”. She told us that she had had no response to letters she had written to the Secretary of State for Work and Pensions, the Rt Hon Dr Thérèse Coffey MP, regarding the £20 uplift, until after the UK Government confirmed it would end.<sup>161</sup>

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157 [Q158](#)

158 [Q254](#)

159 [Q245](#)

160 [Q246](#)

161 [Q246](#)

113. Geth Williams, Deputy Director of the Wales Office, highlighted to us the “frequent” bilateral meetings which were held during the pandemic between the Secretary of State for Wales and the First Minister and Welsh Ministers more generally. The Secretary of State for Levelling Up, Housing and Communities also meets weekly with the First Ministers and the Secretaries of State for Wales, Scotland and Northern Ireland.<sup>162</sup>

114. Geth Williams told us that the Wales Office’s role was to “facilitate” and “oil the wheels” of intergovernmental relations between UK Government Departments and Welsh governments. He added that the Wales Office was “certainly not a block in terms of Welsh Government talking to UK Government Departments directly, and we would not want to be”. However, he suggested that where there were particular issues, “you would expect the Secretary of State to be aware and to get involved in order to help sort it out”.<sup>163</sup>

115. Despite this, it was not obvious that the Wales Office was being consistently consulted on, and engaged in resolving high profile disputes between the UK and Welsh governments.<sup>164</sup> For example, in November 2021, the Welsh Government Finance Minister, Rebecca Evans MS announced a £100 winter payment to low-income households. She said the Welsh Government was in talks with the UK Government about the possible benefits and tax implications for those who claimed it. Yet it appears that the Wales Office had not been consulted as part of these talks, with the Secretary of State for Wales, the Rt Hon Simon Hart MP saying that the payment hadn’t “come across my desk”.<sup>165</sup>

**116. We welcome the extent of joint working between ministers throughout the pandemic, including meetings between the Secretary of State for Wales and the First Minister and other Welsh Government Ministers, as well as multilateral meetings chaired by various UK Ministers. This reflected not only the gravity of the situation but also the value of regular meetings at ministerial level. However, we would welcome information from the Wales Office about how it intends to facilitate the working relationship between the DWP and the Welsh Government going forward.**

**117. We welcome the establishment of an Interministerial Group on Welfare, as part of the recently published Review of Intergovernmental Relations. However, while this will provide an important forum for bringing together the four UK governments to discuss welfare and social security issues, we believe this should be underpinned by a bilateral intergovernmental body for the UK and Welsh governments to engage on welfare policy.**

**118. *The two governments should establish a UK-Welsh government Inter-ministerial Advisory Board on Social Security. Such a Board could build on the good examples of joint working which were seen during the pandemic. Minutes of its meetings should be published.***

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162 [Q245](#). Bilateral meetings between UK and Welsh Government ministers form part of a wider network of intergovernmental arrangements. In Scotland, where there has been a partial devolution of social security powers, the UK and Scottish Governments have formed a Joint Ministerial Working Group on Welfare, to ensure a smooth transfer of responsibilities and resolve any problems (Joint Ministerial Working Group on Welfare). Following the UK Government’s review of intergovernmental relations, an Inter-ministerial Group on welfare will be established, bringing together ministers from all four nations rather than Welsh ministers alone (UK Government (January 2022), Review of Intergovernmental Relations).

163 [Q250](#)

164 BBC News Online (9 June 2021), [Universal basic income: UK government ‘not told’ about Welsh plans](#)

165 Nation Cymru (17 November 2021), [Tory minister ‘wasn’t consulted’ by Welsh Gov on £100 support for low income households](#)

119. *UK Government ministers should consult with the Welsh Government in advance of new social security policies being implemented, especially in areas linked closely to devolved areas of competence such as housing and skills. The UK-Welsh government Inter-ministerial Advisory Board on Social Security would be a suitable vehicle for managing these discussions.*

## Awareness of available support

120. We received evidence which suggested that people were not always aware of what they were entitled to. As Cordelia Deady, Welfare Rights Supervisor, Wrexham County Borough Council, put it:

People do not know what they do not know. If you do not think of yourself as being the type of person who claims benefits, you are not going to proactively go out looking for information about the financial help that is out there.<sup>166</sup>

121. Age Cymru’s written evidence to our inquiry suggested that 80,000 households in Wales were eligible for Pension Credit but were not claiming it because “people don’t know about it or don’t apply as they believe they won’t qualify”.<sup>167</sup> It recommended that public services must be “proactive” in telling older people when they become eligible for benefits.<sup>168</sup> The charity Children in Wales reported that care leavers had “low levels of awareness of entitlements to both devolved and non-devolved benefit(s)”, while Alison Corriea, Welfare Adviser, Cartrefi Conwy Housing Association, told us that some claimants would not know they could be entitled to contribution-based benefits.<sup>169</sup> She also told us that some people “get embarrassed about claiming benefits”, noting that pensioners, in particular, did “not want to be a burden on the state”.<sup>170</sup>

122. **We received evidence regarding a lack of awareness among the wider public of key benefits, most notably Pension Credit. The UK Government should address this directly through a UK-wide income maximisation campaign and design its messaging so that it not only raises awareness of the benefit but also addresses any reservations some older people may have about claiming it.**

123. *The DWP and Welsh Government should work together with local authorities to run a take-up campaign on Pension Credit, with messaging designed to both raise awareness but also address any reservations some older people may have about claiming it.*

## Awareness of Welsh Government schemes

124. We received considerable evidence of the difference the Welsh Government’s Discretionary Assistance Fund had made to people during the pandemic. During the pandemic, the Welsh Government increased the number of applications a household could

166 [Q184](#)

167 Age Cymru ([BSW0032](#)). See also Age UK, May 2021 [Benefit take-up and older people](#). Across the UK, an estimated 63% of families who were entitled to Pension Credit received it in the fiscal year ending 2019. Department for Work and Pensions (29 October 2020), [Income-related benefits: estimates of take-up: financial year 2018 to 2019](#).

168 Age Cymru ([BSW0032](#))

169 Children in Wales ([BSW0034](#)); [Q187](#)

170 [Q207](#)

make and how frequent the payments could be. As of January 2022, the Welsh Government had awarded 279,722 emergency payments from the Fund, totalling £19,012,243.<sup>171</sup>

125. Financial Inclusion Support Workers at Newport City Council Mrs Sarah Miller and Mrs Francesca Bellandi described the Fund as “a lifeline”.<sup>172</sup> The foodbank group, the Trussell Trust, reported that it had “helped to mitigate some of the pressure on food banks, by providing an alternative, more dignified form of support to people facing destitution”.<sup>173</sup>

126. However, some groups emphasised that many people were still unaware of the Fund. The British Red Cross described the need to raise awareness as an “area for improvement”, while the Child Poverty Action Group reported that many families hadn’t received information about the Fund or other ways to maximise their incomes.<sup>174</sup>

127. Last year, the Welsh Government ran the [Claim what’s yours campaign](#)<sup>175</sup> to raise awareness of all support available, which was praised by both the Children’s and Older People’s Commissioners.<sup>176</sup> The Welsh Government is also reviewing how it can simplify and streamline access to its own cash benefits and other support.<sup>177</sup> However, we heard that many claimants found the system complex to navigate,<sup>178</sup> while some felt that many Universal Credit claimants did not realise they had to apply separately for the Discretionary Assistance Fund and other support such as the Welsh Government’s Free School Meals and local authorities’ Council Tax Reduction Schemes.<sup>179</sup>

128. Paul Neave, Head of Social Welfare Advice and DWP Policy, Welsh Government, told us that staff worked with Jobcentre Plus Work Coaches through a liaison committee to raise awareness of Welsh Government support.<sup>180</sup> He said he “would not say 100% knowledge of all the help and support that is available is held by a Work Coach, but we are making very positive moves towards that figure”.<sup>181</sup>

129. In Scotland, the DWP and the Scottish Government have developed a formal toolkit for Work Coaches to signpost people towards Scottish Government schemes administered by Social Security Scotland.<sup>182</sup>

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171 Welsh Government [COVID-19 in Wales: interactive dashboard](#) Figures published 31 January 2022.

172 Mrs Sarah Miller and Mrs Francesca Bellandi (Financial Inclusion Support Workers at Newport City Council) ([BSW0033](#))

173 Trussell Trust ([BSW0044](#))

174 British Red Cross ([BSW0012](#)) Child Poverty Action Group ([BSW0009](#))

175 The campaign was run in March 2021 and those responding were helped to claim a total of £651,504 of additional income. The Welsh Government has also run free online training for frontline workers to increase their understanding of social security payments and their ability to encourage their service users to claim their entitlement (Welsh Government ([BSW0036](#))).

176 Welsh Government ([BSW0036](#)). Children’s Commissioner for Wales ([BSW0016](#)), and Older People’s Commissioner for Wales ([BSW0026](#)).

177 Welsh Government (December 2019), [Welsh Government response](#) to the National Assembly for Wales Equalities, Local Government and Communities Committee Report Benefits in Wales: Options for Better Delivery; National Assembly for Wales Equalities, Local Government and Communities Committee (October 2019), [Benefits in Wales: Options for Better Delivery](#). The Committee had recommended that the Welsh Government needed to establish a “coherent and integrated ‘Welsh benefits system’ for all the means-tested benefits for which it is responsible”. Recommendation 1 p6.

178 See, for example: Citizens Advice Cymru ([BSW0018](#)), Conwy County Borough Council ([BSW0004](#)), and Pobl Group ([BSW0035](#)). See Appendix 1 for the survey findings.

179 See, for example: Conwy County Borough Council ([BSW0004](#)), British Red Cross ([BSW0012](#)), Joseph Rowntree Foundation ([BSW0019](#)), Welsh Revenues and Benefits Managers Group ([BSW0031](#)).

180 [Q158](#)

181 [Q158](#)

182 Scottish Affairs Committee, [Welfare policy in Scotland: UK and Scottish Government Responses to the Committee’s Second Report](#), First Special Report of Session 2021–22, HC 790

130. We welcome efforts to improve awareness among claimants of all UK Government, Welsh Government, and local authority support, but written evidence suggests that there is still a long way to go. People requesting help need to feel confident that they have been informed of all the benefits and grants available to them, rather than miss out on any because they didn't know what questions to ask or found the system too complex to navigate. Evidence we have received suggests that the approach taken in Scotland, where the UK Government and the Scottish Government worked together to produce a toolkit for Work Coaches, could prove a useful model.

131. *The DWP and Welsh Government should work together to improve the signposting of benefits, grants, and allowances by producing a toolkit for Work Coaches. It should cover all devolved and local authority support. The DWP should report back to us in six months with an update on progress.*

132. *While we note the positive comments regarding the Welsh Government's response to the pandemic via the Discretionary Assistance Fund, we also heard concerns about the application process for various Welsh Government and local authority grants and allowances. We welcome the fact that the Welsh Government is seeking to streamline their systems and make the system more accessible. Should any of this work require DWP cooperation, then we urge both governments to work closely in order to deliver the best outcome for claimants.*

## Joint support for in-work claimants

133. As noted in paragraph 88, some 39% of Universal Credit claimants are already in work. For such claimants, the issue they face is not entering the workforce, but rather to either find a higher paid job or more hours.<sup>183</sup> In chapter 3, we examined the role of Universal Credit in incentivising progression. In this section, we explore the intersection between reserved and devolved responsibilities in addressing low pay.

134. Just one in six of low-paid workers progress permanently on to higher paid positions.<sup>184</sup> Baroness McGregor-Smith, the In-Work Progression Commissioner, reported in July 2021 that there were a range of reasons preventing progression, “including a lack of skills, logistical challenges, such as a lack of suitable transport or childcare arrangements, as well as confidence and motivational barriers”.<sup>185</sup> These barriers cut across both reserved and devolved areas, most notably the UK Government's benefits system and Jobcentre Plus and the Welsh Government's skills and lifelong learning schemes such as Working Wales and the Flexible Skills Programme.<sup>186</sup>

135. Both governments told us of the joint work they were already undertaking in this area. The Welsh Government described the delivery of employability and skills training and community employment programmes as examples of successful partnerships with

183 Work and Pensions Committee, September 2021 [Thousands face 'severe hardship' as Minister rejects UK-wide call to keep Universal Credit uplift.](#)

184 Social Mobility Commission, October 2017, [The Great Escape? Low pay and progression in the UK's labour market](#), p1. Of all those low paid in 2006, by 2016 only 17% had progressed permanently.

185 In-Work Progression Commissioner, July 2021 [Supporting progression out of low pay: a call to action](#): Executive foreword.

186 In-Work Progression Commissioner, July 2021 [Supporting progression out of low pay: a call to action: Chapter 3](#). Working Wales offers free professional employability and careers advice. Flexible Skills Programmes support employers to improve employees' skills levels.

DWP Wales.<sup>187</sup> The UK Government cited its work with Careers Wales and the Welsh Government’s Regional Skills Partnerships. However, the Commission called for a “major shift” in Jobcentres from focusing largely only on getting people into work to providing in-work progression support.<sup>188</sup> It recommended all working claimants were provided with a “credible in-work offer” and that Jobcentres should become “specialist hubs” for expertise on local labour markets, requiring “close partnership” with local groups such as employers, local authorities and skills providers.<sup>189</sup> The UK Government announced in its Levelling Up White Paper in February that it was taking an “increasing focus” on supporting working claimants to earn more. It is to invest £99m in an In-Work Progression offer, extending Work Coach support to those on low incomes to address barriers to progression. It will also appoint “specialist Progression Champions” to work with employers, local authorities and skills providers, and will set out further details in its response to the In-Work Progression’s Commission.<sup>190</sup> In Wales, this requires the input of both governments.

**136. 39% of Universal Credit claimants are already in work: the issue for them is not finding a job but finding a higher paid one or more hours. We welcome the UK Government’s commitment to providing claimants with in-work support and look forward to hearing further details about how its Progression Champions will work with employers, local authorities and skills providers. As employment support, local government and skills are devolved, for this to be successful in Wales, the UK Government must work closely with the Welsh Government**

**137. We note that the In-Work Commissioner’s report on Supporting People out of Low Pay found that most Jobcentre Plus support is tailored to help people get into work: there is less support and training available for those who are already there. We support its recommendation that Jobcentres should provide a credible in-work offer for all working benefit claimants and with local groups such as employers and skills providers. As skills and lifelong learning are devolved responsibilities, for this to be successful in Wales, the UK Government must work closely with the Welsh Government.**

**138. *The UK Government should accept the In-Work Commissioner’s recommendation to provide a credible in-work offer for all working benefit claimants. The UK Government should outline how it will take this work forward with the Welsh Government and report back to us in 12 months on the progress made. The UK Government should outline how it will take this work forward with the Welsh Government and report back to us in 12 months on the progress made.***

## Basic Income

139. Universal Basic Income (UBI) describes a range of different proposals where the state provides an income for all citizens, without any conditions attached and regardless of their other resources.<sup>191</sup> A total of 25 candidates who were elected to the Senedd in May

187 Department for Work and Pensions([BSW0051](#)) and Welsh Government ([BSW0036](#))

188 In-Work Progression Commissioner, July 2021 [Supporting progression out of low pay: a call to action: Chapter 2](#)

189 In-Work Progression Commissioner, July 2021 [Supporting progression out of low pay: a call to action. Recommendation 2.1](#)

190 UK Government (2 February 2022), [Levelling Up the United Kingdom White Paper \(publishing.service.gov.uk\) p199](#)

191 P. Loft, S. Kennedy, A. Mackley and F. Hobson (08 October 2020), [The introduction of a universal basic income](#), House of Commons Library: Briefing Paper No. CDP0096, p2.

2021's election signed a pledge, organised by the UBI Lab Network (a pro-UBI campaign group), supporting a UBI trial.

140. In May 2021, the First Minister of Wales, the Rt Hon Mark Drakeford MS announced that the Welsh Government would bring forward a 'Basic Income' pilot rather than a universal one. According to Mr Drakeford:

A basic income pilot is one of the specific responsibilities of our new social justice minister. It will have to be carefully designed, it will draw on the experience of attempted pilots in Scotland, but I have a very longstanding interest in basic income. I hope we will be able to mount an experiment here that will test whether the claims that are made for a basic income approach are actually delivered.<sup>192</sup>

141. The Welsh Government is to target the pilot at those leaving care.<sup>193</sup> While Jane Hutt MS told us that there were many who had wanted the pilot to be “possibly be a universal basic income with much broader parameters”, she stressed that the Welsh Government had been clear about what it “can do in terms of our priorities and resources”. She remained confident, however, that a basic income pilot along the lines envisaged by the Welsh Government will be able to “contribute to the global understanding of [...] basic income and what it can do to tackle poverty, and tackle health inequality”.<sup>194</sup>

142. However, we heard a number of concerns about the proposed scope of the Welsh Government's pilot scheme. Dr Rod Hick of the University of Cardiff and Dr Lee Gregory of the University of Birmingham felt that it “falls far short of universality” and was “an experiment of what the Welsh Government could potentially achieve with enhanced social security powers”.<sup>195</sup> Jonathan Williams, co-founder of the UBI campaign group, UBI Lab Wales, told us that the Welsh Government should be praised for running the “experiment”, but it was “not representative of Wales”.<sup>196</sup>

143. The Welsh Parliament/Senedd Cymru's (Senedd) Petitions Committee concluded that while the Welsh Government's scheme could “provide valuable feedback on the potential of such a scheme to improve the support to a group which faces significant challenges”, a three-year pilot of only 250 people “will only offer limited information”. Furthermore, a scheme limited only to care leavers, “will tell us little about universal basic income”. The Committee therefore recommended “a larger sample size would offer more robust results and ensure a greater diversity among recipients”.<sup>197</sup>

144. The Senedd's Petitions Committee also raised the issue of how participation in the pilot would impact on individual's tax or benefit entitlements. Arguing that participants “should be no worse off than if they had not participated”, the Committee warned that:

It would undermine the project if participants lost entitlements they currently claim as a direct result of a failure to communicate between the two governments.<sup>198</sup>

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192 Welsh Government (15 February 2022), [Basic Income for Care Leavers in Wales, pilot announced](#)

193 [Q167](#)

194 [Q171](#)

195 Dr Rod Hick and Dr Lee Gregory ([BSW0028](#))

196 [Q151](#)

197 Welsh Parliament Petitions Committee (January 2022), [A UBI Pilot for Wales](#), p12

198 Welsh Parliament Petitions Committee (January 2022), [A UBI Pilot for Wales](#), p6

145. Notwithstanding these concerns, some of the evidence we received supported the principle of UBI. The Future Generations Commissioner argued that removing the conditions attached to receiving benefits would give people “the opportunity to find meaningful and long-term employment”.<sup>199</sup> Dr Malcolm Torry, Research Fellow, School of Social Policy, University of Bath told us that it would provide a “substantial secure layer of income to every individual and household in a context today in which so little income is secure”.<sup>200</sup> The not-for-profit housing organisation United Welsh thought it would “remove some of the stigma”.<sup>201</sup>

146. However, Anna Coote, Research Fellow of the think tank, the New Economics Foundation, told us that such schemes require “a great deal more money, and that is money that you could be spending on services or, indeed, on green infrastructure or better policing or whatever you feel that you need”.<sup>202</sup> Professor Paul Spicker, Emeritus Professor at Robert Gordon University, said that he would be “sceptical” that any level of income could be thought of as “adequate for everyone”, arguing that adequacy was “a moving target and it depends on lots of other conditions”.<sup>203</sup> Dr Victoria Winckler, Director of the Bevan Foundation, told us that there was “a question about how you could cope with people with differing needs, people with high housing costs, a lot of children or the costs of disability”.<sup>204</sup>

147. Anvar Sarygulov, Senior Research Fellow at the think tank Bright Blue, suggested that many of UBI’s aims could be met by amending Universal Credit. He argued that:

Do you want to support a particular group of people? You may well be able to do it through Universal Credit by adding a new element to it in the same way there is already a housing, caring and childcare element. Do you want to make it less conditional? If that is your desire, you can modify the conditionality of the Universal Credit system as it stands. Therefore, I think any question about UBI is really a question of, “Why can we not simply modify the Universal Credit system to achieve this goal?”<sup>205</sup>

148. In its written submission to the inquiry, the DWP described UBI as “fundamentally the wrong approach for the UK”. It argued that UBI “does not incentivise work and any practical implementation is likely to be hugely expensive, requiring significant tax increases across the board”.<sup>206</sup> the Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP argued that “all the intellectual firepower that is required and the resource should be better targeted to figure out what we can do for those individuals”.<sup>207</sup>

149. When asked about the potential impact of the pilot on participants entitlements, Andrew Latto, the Deputy Director for Devolution, Pensioner Benefits and Carer’s Allowance Policy Group at the DWP, told us that the department “really need to see in quite a lot of detail—including the legislation—exactly what it is before we can work out how it is going to interact with the reserved benefit and HMRC with the tax system”.<sup>208</sup>

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199 Future Generations Commissioner ([BSW0038](#))

200 [Q103](#)

201 United Welsh ([BSW0005](#))

202 [Q108](#)

203 [Q107](#)

204 [Q83](#)

205 [Q88](#)

206 Department for Work and Pensions ([BSW0051](#))

207 [Q253](#)

208 [Q252](#)

150. The Welsh Government has since published further details of its pilot, announcing in February that it will begin during the 2022/23 financial year and all young people leaving care who turn 18 during a 12-month period will be eligible, amounting to more than 500 young people. Each participant will receive a basic income payment of £1600 per month for 24 months from the month after their 18th birthday.<sup>209</sup> According to the BBC, the payment will be taxed and counted as income by the DWP, thereby affecting participants' eligibility for the means-tested Universal Credit.<sup>210</sup>

**151. Care-leavers are a vulnerable group and there is a strong case for arguing that they should have enhanced support. While the Welsh Government supports a basic income pilot for this group, we note that the UK government opposes universal basic income.**

152. We have received a range of concerns regarding the limitations of the pilot and there are also considerable issues concerning how the pilot will affect the benefits of the participants. It is crucial that those considering participating are aware of how it will affect the benefits they receive and the tax they pay. Without this, they are unable to make an informed decision about whether to participate.

*153. In the interests of the young people considering taking part in the Welsh Government's Basic Income pilot, the DWP and the Welsh Government should work together to conduct an impact assessment on the benefits received and the amount of taxes paid by the average potential participant.*

## Potential devolution

154. In the wake of the devolution of some benefits in Scotland, the case for devolution in Wales has attracted some political attention.<sup>211</sup> The Senedd Equality, Local Government and Communities Committee recommended in 2019 that some parts of the social security system should be devolved and, during the course of our inquiry, the Welsh Government and Plaid Cymru signed a Co-operation Agreement, stating their support for the devolution of the "administration" of welfare.<sup>212</sup> The Welsh Government's Minister for Social Justice, Jane Hutt MS, told us that the policy was about "better delivery".<sup>213</sup> She argued that it could:

give us the levers and the powers that we need in order to deliver for our citizens and, from your very first point, ensure that we can tackle poverty and inequality and shape our social security based on those provisions, both principles of compassion and fairness.<sup>214</sup>

However, she added that "very careful consideration" would have to be taken as to how any long-term change would be funded.<sup>215</sup>

209 Welsh Government (15 February 2022), [Basic Income for Care Leavers in Wales, pilot announced](#)

210 BBC News Online (16 February 2022), [Basic income: Wales pilot offers £1,600 a month to care leavers](#). Accessed 16 February 2022.

211 The Scotland Act 2016 devolved most disability, industrial injury and carer benefits to the Scottish Parliament. It also has the power to pay Universal Credit twice a month rather than monthly and pay the housing element directly to landlords.

212 Senedd Equality, Local Government and Communities Committee, 2019 [Benefits in Wales: Options for better delivery](#); Welsh Government, November 2021 [The Co-Operation Agreement](#), p10.

213 [Q175](#)

214 [Q178](#)

215 [Q175](#)

155. There was a level of support for devolution in the evidence we received. The charity Chwarae Teg supported the devolution of administrative powers to enable Welsh Ministers to manage social security in “a way that works best for the people of Wales”.<sup>216</sup> The charity Disability Advice Project felt devolution would develop a system that “reflects the challenges in Wales. It could be more agile and responsive and provide a holistic approach”.<sup>217</sup> Dr Victoria Winckler, Director of the Bevan Foundation, told us that there was a “strong case” for devolving those parts of the system which “align with devolved responsibilities” such as the housing element of Universal Credit. However, she also warned that it “should not be assumed... that a Welsh Government would do something more generous”.<sup>218</sup>

156. However, much of the evidence we received raised caveats. Dr Mike Brewer, the Deputy Chief Executive of the Resolution Foundation, cautioned that while devolution to Scotland had so far “gone well”, devolution does “have the potential to get complicated and messy, where the two governments want to do different things and where decisions made by one interact badly with those made by the other”.<sup>219</sup>

157. Charlotte Pickles also expressed general support for the principle of devolution, however she expressed doubts about the funding of devolved social security policies—especially where they entailed divergence from the UK Government:

We tend to focus on the nice part, which is that you could be more innovative, try more things, be more generous and you could design a system to be more appropriate to the local labour markets that you have in different parts of Wales. All that is great. However, the reality that benefits are very costly things to pay out is bit of a reality check given, as I say, the devolved governments tend to want to spend more rather than spend less.<sup>220</sup>

158. The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us the system was “working well”. He argued that:

Seeking to devolve further matters would, to me, be a big distraction when there are so many other big priorities ahead of us—economic development, healthcare, social care. Let us move forward with them.<sup>221</sup>

159. The DWP highlighted in its written submission that the UK’s “pooled-risk system” could accommodate the varied economic circumstances felt across the UK. It argued that this system had “responded well to the challenges of the pandemic, whose economic effects have been felt everywhere, but even more acutely in some sectors and localities”.<sup>222</sup>

**160. The evidence collected during the inquiry showed that attitudes to the idea of devolving welfare vary significantly. Some were concerned about the financial implications and many felt that they did not have enough information. However, during the course of the inquiry many experts noted the potential merits of being able to deliver benefits in a way that is tailored to the demography of Wales.**

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216 Chwarae Teg ([BSW0008](#))

217 Disability Advice Project ([BSW0014](#))

218 [Qq81 and 90](#)

219 [Qq79 and 80](#)

220 [Q80](#)

221 [Q258](#)

222 Department for Work and Pensions ([BSW0051](#))

***161. It is important to make the distinction between devolving the administration of certain welfare benefits and the wholesale devolution of welfare and we recommend that, as a first step, the UK-Welsh Government Inter-ministerial Advisory Board on Social Security should undertake an assessment of the potential merits of devolving the administration of the same benefits to Wales as have been devolved to Scotland.***

***162. In the event of the Welsh Government submitting formal proposals to the UK Government, the DWP should provide us with an update in 12 months regarding the nature and progress of its discussions with the Welsh Government.***

# Conclusions and recommendations

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## Challenges facing the benefits system in Wales

1. The demographic, economic and geographic challenges we have highlighted set the context for the benefits system in Wales. While it is a reserved competence, that does not mean the environment in which it operates is identical to that elsewhere in Great Britain. While the evidence shows that the key challenges for the benefits system in Wales are broadly similar to those in the other nations and regions of the UK, there are some important demographic differences that mean that some of the challenges facing the benefits system are more prominent in Wales. There are pressures here which underline the need for the UK Government to be conscious of the Welsh context when deciding welfare policy. (Paragraph 42)

## Lessons from the pandemic for the UK social security system

2. The pandemic demonstrated how resilient the UK social security system can be in the face of significant challenges. Despite the huge surge in demand, Universal Credit continued to function and benefits were paid out to a markedly increased pool of claimants. That Universal Credit was able to withstand these pressures was a result not only of digitisation, but also the immense efforts of DWP staff, and also to the leadership of the DWP. We want to pay tribute to their commitment and hard work in facing such unprecedented challenges. (Paragraph 57)
3. We were concerned to hear that welfare rights advisors believe that Universal Credit's explicit consent model has impeded their ability to help claimants and has led to some people sharing personal data such as passwords. We would welcome the UK Government reviewing its decision to end the implicit consent model of the legacy benefit system. (Paragraph 75)
4. *The DWP should run a consultation with welfare rights advisors on Universal Credit's explicit consent model and examine whether any changes are necessary.* (Paragraph 76)
5. The UK Government must urgently review the level at which Statutory Sick Pay (SSP) is set. At only £96.35 per week, it is equivalent to only 20 per cent of the average wage—compared to 100 per cent in Germany and 90 per cent in France. *In the interest of public health and to ensure that nobody is forced to choose between keeping themselves and others safe or putting food on the table, the UK Government must commit to increasing the level of SSP. The DWP should write to the committee with an update on progress within 6 months.* (Paragraph 81)
6. Given the comparatively high proportion of low paid workers in Wales, we were concerned to hear of issues regarding the eligibility criteria for Statutory Sick Pay. While we acknowledge that there may be other support available to unwell workers, the pandemic has highlighted the dangers of someone attending work when they are unwell. Sick pay benefits wider society, not just the sick, and we would welcome the UK Government reviewing the eligibility criteria for this benefit. (Paragraph 82)

7. We welcome the swift changes to the financial support many claimants received during the pandemic, as well as to the operation of the overall system. We received evidence of the significant difference that the temporary £20 uplift made to those eligible claimants, as well as other support measures such as the increase in the Local Housing Allowance percentile. However, we received evidence of concerns about the impact of these temporary measures coming to an end. (Paragraph 83)
8. We acknowledge that the UK Government has difficult choices to make in ensuring that the benefits system is financially sustainable in the long-term. We welcome its reduction of the taper rate and increase in the work allowance in the autumn Budget. (Paragraph 84)
9. However, in light of concerns about the rising costs of living, there is a need for a discussion about how to ensure benefits are adequate, affordable and sustainable. On the basis of the evidence presented there is a need for an urgent review of: ending the £20 UC uplift; the 5 week wait for UC; the benefit cap and the two-child limit; bedroom tax; shared accommodation rate (of Universal Credit) for under 35s; freeze of LHA rate at March 2020 levels. (Paragraph 85)
10. *It is clear that current benefit levels are inadequate. In the short term, the £20 uplift should be reintroduced at the Budget in March 2022 and extended to legacy benefits.* (Paragraph 86)
11. Without the uplift, benefits for the unemployed are at their lowest real-terms level since the early 1990s. Had they grown in line with GDP per capita since 1990, they would be £40 a week higher. The future value of benefits is also being reduced given the increasing cost of living, as inflation is predicted to rise above 7% by April, but benefits for those in work and unemployed are only rising by 3.1%. (Paragraph 87)
12. *We urge the UK Government to use nearer-term forecasts to increase benefits in line with the actual rate of inflation that will apply in April 2022. As a long-term solution to these issues, the DWP should outline what the benefit system is trying to achieve and how this can be measured, particularly in relation to ending poverty. The DWP should then develop and publish clear metrics for determining benefit levels, based on this overall strategy.* (Paragraph 88)
13. Around 39% of claimants are in work. Many of those who became eligible for Universal Credit during the pandemic will have done so through losing income while on furlough rather than through losing a job. For those whose pay is supplemented by Universal Credit, the issue is not finding work, it is finding higher paid work. Accordingly, we welcome the changes in the autumn Budget to the taper rate and work allowance, putting more money into the hands of working households, and urge it to keep under review further changes which would benefit those in work. (Paragraph 95)
14. *The UK Government should take forward the recommendations of the In-Work Commissioner and review how the taper rate and work allowances can best support in-work progression.* (Paragraph 96)
15. We welcome the extent of support that the UK Government provided during the pandemic, but we note that not all self-employed people were eligible. We welcome

the UK Government’s acknowledgement that it has “learned more” about the issues with capital limits and we would welcome more details from the DWP about the lessons it has learned. (Paragraph 108)

### Intergovernmental relations

16. We welcome the extent of joint working between ministers throughout the pandemic, including meetings between the Secretary of State for Wales and the First Minister and other Welsh Government Ministers, as well as multilateral meetings chaired by various UK Ministers. This reflected not only the gravity of the situation but also the value of regular meetings at ministerial level. However, we would welcome information from the Wales Office about how it intends to facilitate the working relationship between the DWP and the Welsh Government going forward. (Paragraph 116)
17. We welcome the establishment of an Interministerial Group on Welfare, as part of the recently published Review of Intergovernmental Relations. However, while this will provide an important forum for bringing together the four UK governments to discuss welfare and social security issues, we believe this should be underpinned by a bilateral intergovernmental body for the UK and Welsh governments to engage on welfare policy. (Paragraph 117)
18. *The two governments should establish a UK-Welsh government Inter-ministerial Advisory Board on Social Security. Such a Board could build on the good examples of joint working which were seen during the pandemic. Minutes of its meetings should be published.* (Paragraph 118)
19. *UK Government ministers should consult with the Welsh Government in advance of new social security policies being implemented, especially in areas linked closely to devolved areas of competence such as housing and skills. The UK-Welsh government Inter-ministerial Advisory Board on Social Security would be a suitable vehicle for managing these discussions.* (Paragraph 119)
20. We received evidence regarding a lack of awareness among the wider public of key benefits, most notably Pension Credit. The UK Government should address this directly through a UK-wide income maximisation campaign and design its messaging so that it not only raises awareness of the benefit but also addresses any reservations some older people may have about claiming it. (Paragraph 122)
21. *The DWP and Welsh Government should work together with local authorities to run a take-up campaign on Pension Credit, with messaging designed to both raise awareness but also address any reservations some older people may have about claiming it.* (Paragraph 123)
22. We welcome efforts to improve awareness among claimants of all UK Government, Welsh Government, and local authority support, but written evidence suggests that there is still a long way to go. People requesting help need to feel confident that they have been informed of all the benefits and grants available to them, rather than miss out on any because they didn’t know what questions to ask or found the system too

complex to navigate. Evidence we have received suggests that the approach taken in Scotland, where the UK Government and the Scottish Government worked together to produce a toolkit for Work Coaches, could prove a useful model. (Paragraph 130)

23. *The DWP and Welsh Government should work together to improve the signposting of benefits, grants, and allowances by producing a toolkit for Work Coaches. It should cover all devolved and local authority support. The DWP should report back to us in six months with an update on progress.* (Paragraph 131)
24. *While we note the positive comments regarding the Welsh Government's response to the pandemic via the Discretionary Assistance Fund, we also heard concerns about the application process for various Welsh Government and local authority grants and allowances. We welcome the fact that the Welsh Government is seeking to streamline their systems and make the system more accessible. Should any of this work require DWP cooperation, then we urge both governments to work closely in order to deliver the best outcome for claimants.* (Paragraph 132)
25. 39% of Universal Credit claimants are already in work: the issue for them is not finding a job but finding a higher paid one or more hours. We welcome the UK Government's commitment to providing claimants with in-work support and look forward to hearing further details about how its Progression Champions will work with employers, local authorities and skills providers. As employment support, local government and skills are devolved, for this to be successful in Wales, the UK Government must work closely with the Welsh Government. (Paragraph 136)
26. We note that the In-Work Commissioner's report on Supporting People out of Low Pay found that most Jobcentre Plus support is tailored to help people get into work: there is less support and training available for those who are already there. We support its recommendation that Jobcentres should provide a credible in-work offer for all working benefit claimants and with local groups such as employers and skills providers. As skills and lifelong learning are devolved responsibilities, for this to be successful in Wales, the UK Government must work closely with the Welsh Government. (Paragraph 137)
27. *The UK Government should accept the In-Work Commissioner's recommendation to provide a credible in-work offer for all working benefit claimants. The UK Government should outline how it will take this work forward with the Welsh Government and report back to us in 12 months on the progress made. The UK Government should outline how it will take this work forward with the Welsh Government and report back to us in 12 months on the progress made.* (Paragraph 138)
28. Care-leavers are a vulnerable group and there is a strong case for arguing that they should have enhanced support. While the Welsh Government supports a basic income pilot for this group, we note that the UK government opposes universal basic income. (Paragraph 151)
29. We have received a range of concerns regarding the limitations of the pilot and there are also considerable issues concerning how the pilot will affect the benefits of the participants. It is crucial that those considering participating are aware of how it will affect the benefits they receive and the tax they pay. Without this, they are unable to make an informed decision about whether to participate. (Paragraph 152)

30. *In the interests of the young people considering taking part in the Welsh Government's Basic Income pilot, the DWP and the Welsh Government should work together to conduct an impact assessment on the benefits received and the amount of taxes paid by the average potential participant. (Paragraph 153)*
31. The evidence collected during the inquiry showed that attitudes to the idea of devolving welfare vary significantly. Some were concerned about the financial implications and many felt that they did not have enough information. However, during the course of the inquiry many experts noted the potential merits of being able to deliver benefits in a way that is tailored to the demography of Wales. (Paragraph 160)
32. *It is important to make the distinction between devolving the administration of certain welfare benefits and the wholesale devolution of welfare and we recommend that, as a first step, the UK-Welsh Government Inter-ministerial Advisory Board on Social Security should undertake an assessment of the potential merits of devolving the administration of the same benefits to Wales as have been devolved to Scotland. (Paragraph 161)*
33. *In the event of the Welsh Government submitting formal proposals to the UK Government, the DWP should provide us with an update in 12 months regarding the nature and progress of its discussions with the Welsh Government. (Paragraph 162)*

# Formal minutes

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**Wednesday 9 March 2022**

## **Members present**

Simon Baynes

Geraint Davies

Ruth Jones

Ben Lake

Dr Jamie Wallis

Beth Winter

In the absence of the Chair, Ben Lake was called to the Chair.

## **The Benefits System in Wales**

Draft report (*The Benefits System in Wales*), proposed by the Chair brought up and read.

Draft report (*The Benefits System in Wales*), proposed by Dr Jamie Wallis, brought up and read, as follows:

# The Benefits System in Wales

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## Introduction

1. The past two years have seen unprecedented challenges for the benefits system in Wales and across the UK, as a result of the Covid-19 pandemic. One in five jobs in Wales were in the sectors where most businesses were forced to close or reduce trading, with lockdown restrictions particularly affecting businesses in the non-essential retail, hospitality, leisure and tourism sectors on which, as will be explored in Chapter 2, many jobs in Wales rely.<sup>223</sup> Some 474,600 employments were furloughed at some point during the lifespan of the Coronavirus Job Retention Scheme.<sup>224</sup> There was an 87.7% increase in people claiming Universal Credit in early March 2021 compared to February 2020.<sup>225</sup> Between March 2020 and March 2021, the number of young people aged 16–19 on Universal Credit increased by 58% to 11,089 and the number aged 20–24 increased by 80% to 39,875.<sup>226</sup> The scale of these challenges meant that this was an opportune moment to assess how effectively the benefits system supports claimants in Wales.

2. Our overall purpose has been to examine the UK benefits system in a Welsh context. We wanted to explore whether there are issues within the system which affect Wales differently compared to elsewhere in the UK and, if so, what this may suggest about future priorities for the benefits system in Wales. We wanted to assess not only how well claimants are supported but also how effectively the system operates.

3. While social security is a reserved competence, it touches upon a number of policy areas (such as housing, health and social services, education and skills) which are devolved to the Senedd Cymru-Welsh Parliament and Welsh Government. We therefore wanted to examine how well the UK Government works with the Welsh Government, as well as the effectiveness of the allowances and grants provided by the Welsh Government. Finally, we also wished to explore the potential implications of the basic income pilot scheme which has been proposed by the Welsh Government.

## Welfare responsibilities in Wales

4. The majority of social security benefits in Wales, including Universal Credit, Jobseeker's Allowance, Income Support, Personal Independence Payments and Pension Credit, are administered at a Great Britain level by the Department for Work and Pensions (DWP). A few are administered by HM Revenue and Customs (HMRC), including Child Tax Credit, Working Tax Credit and Child Benefit. Local authorities also administer some of the support, such as Discretionary Housing Payments.<sup>227</sup> In total, the UK budget for the social security system in 2020/21 was £213.2 billion, the majority of which was spent

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223 Social Mobility Commission (July 2021), [State of the Nation 2020–21: Social Mobility in Great Britain](#) p160; B. Stokes (19 May 2021), [Supporting the recovery of hard-hit sectors](#), Senedd Research

224 HM Revenue and Customs (December 2021), [Coronavirus Job Retention Scheme statistics: 16 December 2021](#): Table 7

225 Welsh Government (22 April 2021), [Labour Market Overview](#) p10.

226 Information supplied by DWP

227 A. Mackley (9 November 2020), [Social security powers in the UK](#), House of Commons Library: Briefing Paper No. 9048, p25 and Senedd Equality, Local Government and Communities Committee (October 2019), [Benefits in Wales: Options for better delivery](#), p11. In Northern Ireland, powers over social security were devolved by the Government of Ireland Act 1920.

on pensions (£126.0 billion).<sup>228</sup>

5. The main UK Government working-age benefit payment is Universal Credit. Prior to its introduction in 2013, if a household was eligible for more than one benefit each one was claimed and paid separately. The UK Government argued in 2010 that the system was “too complex” and that “work incentives for some groups are poor”.<sup>229</sup> It replaced much of the existing system with a single integrated payment called Universal Credit.<sup>230</sup> It was launched in 2013 and has now been rolled out across the UK.

6. The majority of claimant households are now on Universal Credit rather than the legacy benefit system it replaced.<sup>231</sup> As of January 2022, a total of 232,739 households (59%) in Wales were on Universal Credit and 162,117 were on legacy benefits.<sup>232</sup>

## Our Inquiry

7. We launched our inquiry on 15 June 2021 and published a call for written evidence on our website. We held five evidence sessions and published 51 pieces of written evidence. We would like to thank all the witnesses who gave oral evidence and submitted written evidence.

8. We also ran a survey, inviting benefit claimants to tell us about the issues they faced and what questions we should ask the Welsh and UK Governments. We would like to thank the 292 people who completed the survey: their responses helped shape our understanding of the issues important to claimants.

## Developments during the inquiry

9. During the course of our inquiry there were a number of developments pertaining to the benefits system. These included:

- The ending of key social security pandemic support such as the “£20 uplift” to Universal Credit and Working Tax Credit.
- The publication in July of the UK Government’s green paper on health and disability, *Shaping Future Support*.<sup>233</sup>
- The Co-operation Agreement signed in November by the Welsh Government and Plaid Cymru outlined their support for the devolution of the “administration of welfare”.<sup>234</sup>
- Announcements in the autumn Budget, including the Universal Credit taper level being reduced from 63% to 55%.<sup>235</sup>

228 UK Government, [Benefit expenditure and caseload tables 2021](#)

229 Department for Work and Pensions (July 2010), [21st Century Welfare](#), Cm 7913, p7

230 Department for Work and Pensions (November 2010), [Universal Credit: Welfare that works](#), Cm 7957 p3

231 The legacy benefits are Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker’s Allowance, income-related Employment and Support Allowance and Working Tax Credits.

232 R. Harker (15 February 2022), [Constituency data: Universal Credit rollout \(parliament.uk\)](#) House of Commons Library

233 Department for Work and Pensions (July 2021), [Shaping Future Support: the health and disability green paper](#), CP 470

234 Welsh Government (November 2021), [The Co-Operation Agreement](#), p10

235 HM Treasury (December 2021), [Autumn Budget and Spending Review 2021](#). HC 822

- The Welsh Government’s launch in December of its Winter Fuel Support scheme and related discussions with the DWP.<sup>236</sup>
- The Welsh Government announced details of its Basic Income pilot for care leavers.<sup>237</sup>

## Report Structure

10. Our report starts with an examination of the particular challenges faced by the benefits system in Wales, such as levels of poverty and deprivation, as well as the implications of Wales’ demography for the benefits system. The report then moves on, in Chapter 3, to an exploration of the response to the pandemic by the UK Government and the lessons that can be learned. This chapter pays particular attention to the pressures placed upon Universal Credit by the pandemic. We then turn, in Chapter 4, to look at intergovernmental relations between the UK and Welsh Governments, with this chapter also examining the Welsh Government’s proposed basic income pilot, as well as the question of whether some social security responsibilities should be devolved to the Welsh Government and Senedd Cymru-Welsh Parliament.

## Challenges facing the benefits system in Wales

11. Wales is part of a Great Britain-wide social security system, with social security powers reserved to Westminster. However, this does not mean that there are not unique pressures and challenges facing the benefits system in Wales, as opposed to other parts of the UK. This chapter explores the socio-economic and demographic context in which the benefits system operates in Wales and examines how this context may differ from that experienced elsewhere in the UK.

## Employment

12. The unemployment rate is both lower than and falling faster than, the UK as a whole. In the three months to December 2021, the unemployment rate in Wales was 3.1%, down 1.4% on the year.<sup>238</sup> In comparison, the UK unemployment rate in the three months to December 2021 was 4.1%, down 1.2% on the year.<sup>239</sup> Overall, Wales has seen the biggest fall in unemployment since pre-recession.<sup>240</sup>

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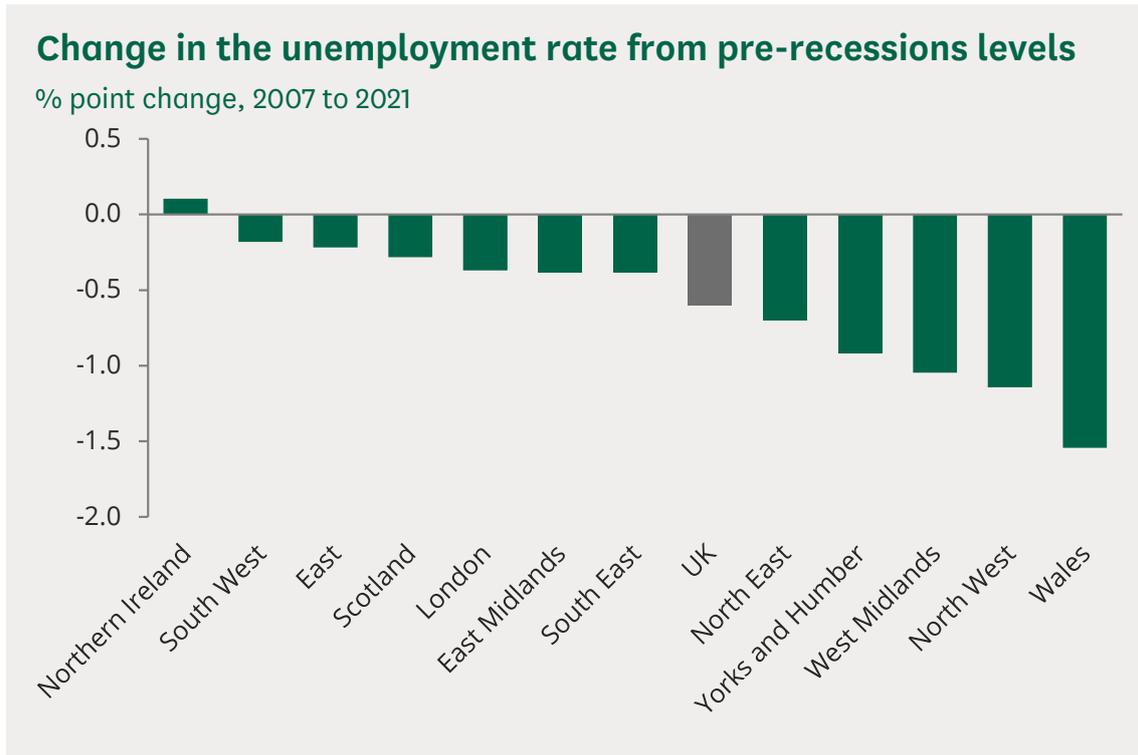
236 Welsh Government (December 2021), [Winter fuel support scheme](#)

237 Welsh Government (15 February 2022), [Basic Income for Care Leavers in Wales, pilot announced](#)

238 Welsh Government (15 February 2022), [Labour market overview: February 2022 | GOV.WALES](#)

239 Welsh Government (January 2022), [Labour market overview: January 2022](#)

240 A. Powell (19 May 2021), [Labour market statistics: UK regions and countries \(parliament.uk\)](#) House of Commons Library: Briefing Paper: No 7950 p11



Source: ONS [Labour market in the regions of the UK Statistical bulletins](#)

13. However, the lower rate in Wales is, according to the Resolution Foundation, partly accounted for by the fact that Wales has a higher economic inactivity rate compared to the UK.<sup>241</sup> The rate of people out of work but not counted as unemployed stands at 23.1%, as opposed to the UK rate of 21.2%.<sup>242</sup> That said, the economic inactivity rate is falling faster in Wales than the rest of the UK, with a decrease of 1.1% in the three months ending December 2021.<sup>243</sup>

14. According to the Annual Population Survey, the three local authorities with the highest unemployment rates are Merthyr Tydfil (7.6%), Swansea (6.7%) and Torfaen (6.5%).<sup>244</sup> Meanwhile, Wales has a higher proportion (0.4%) of young people aged 16–17 claiming Job Seeker’s Allowance compared to the UK rate (0.3%), but in all other age-groups it is lower.<sup>245</sup> Finally, the Survey covering the period October 2020 to September 2021 reports that Wales has a higher proportion of long-term unemployed: 34.2% of unemployed people in Wales have been unemployed for 12 months or more, compared with 26.9% across the UK.<sup>246</sup>

15. Fewer people are employed in professional occupations in Wales (20.6%) compared to the UK as a whole (23.4%), while more people are employed in the caring, leisure

241 Resolution Foundation (November 2020), [From locking down to levelling up](#), p5

242 Office for National Statistics (15 February 2022), [Labour market in the regions of the UK - Office for National Statistics](#) para 2

243 Office for National Statistics (15 February 2022), [Labour market in the regions of the UK - Office for National Statistics](#) para 2. Economically inactive groups include students, people looking after family and/or home, those with disabilities or health conditions and retired people. Office for National Statistics, [A guide to labour market statistics](#), para. 6

244 Welsh Government (January 2022), [ILO unemployment rates by Welsh local areas and year](#)

245 Office for National Statistics, [Labour Market Profile](#)

246 Welsh Government (January 2022), [Labour market statistics \(Annual Population Survey\): October 2020 to September 2021](#)

and service sectors (10% compared to 9.1%) and retail and other customer service roles (7.4% compared to 7.1%).<sup>247</sup> Some areas of Wales are particularly dependent on tourism, including Gwynedd (17.7%), Conwy (17.1%) and Pembrokeshire (16.2%).<sup>248</sup> The Wales Fiscal Analysis research unit in Cardiff University's Wales Governance Centre claimed that the nature of the Welsh labour market meant it had fewer jobs that could be done from home compared to the rest of the UK and so was disproportionately affected by lockdown restrictions.<sup>249</sup>

16. According to the Resolution Foundation, Wales has a lower percentage (12.3%) of the population employed in higher paid sectors such as ICT, finance and property and professional and scientific activities compared to the wider UK (17%). Only the North East of England has a lower percentage.<sup>250</sup>

17. The Resolution Foundation also found that, in common with the rest of the UK, increasing numbers of young people work in low-paid jobs such as retail, hospitality and leisure. It stated that 44% of workers born in 1981–1985 worked in one of these three sectors at the age of 21, compared to 52% of those born in 1991–95.<sup>251</sup>

18. Wales has comparable self-employment figures to the UK: as of September 2021, 13.3% of the Welsh working population was self-employed, compared to 13.5% across the UK. However, levels of self-employment vary considerably: in Powys 25.4% of the workforce is self-employed and in Ceredigion 23.5%, but in Neath Port Talbot the self-employed only account for 6.4% of the total workforce.<sup>252</sup>

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247 Office for National Statistics, Employment by occupation (October 2020–September 2021), [Labour Market Profile](#). For definitions of each of the nine major groups of the Standard Occupational Classifications, see Section 8 of [SOC2010 volume 1: structure and descriptions of unit groups](#).

248 Figures are derived from the number of jobs in tourism-related industries (source: Welsh Government, November 2021 [Employee jobs in tourism-related industries by area and year](#)) as a percentage of the total number of people in employment by area (source: Welsh Government, January 2022 [People in employment by area and occupation](#)).

249 Wales Fiscal Analysis, Cardiff University [Covid-19 and the Welsh economy: working from home](#), p14. Wales is 39.9%, UK is 45.2%. The percentages represent the lowest potential share of jobs that can be done from home.

250 Resolution Foundation (November 2020), [From locking down to levelling up: The past, present and future of Welsh living standards](#), p6. The percentage in the North East of England was 11.7%.

251 Resolution Foundation (November 2020), [From locking down to levelling up: The past, present and future of Welsh living standards](#), p12

252 StatsWales (27 January 2022), [Status of employed persons by Welsh local authority and measure](#).

## Poverty and deprivation

19. Prior to the pandemic, Wales had the highest poverty rates of all the UK nations, both before and after housing costs were accounted for.<sup>253</sup>



Source: Chart 23, p47: [SN07096.pdf \(parliament.uk\)](#)

20. Welsh Government figures indicate that 16% of all people in Wales are living in income deprivation. These figures vary significantly when broken down at a local authority level with the highest percentages recorded in Blaenau Gwent (21%), Merthyr Tydfil (20%), Neath Port Talbot (19%) and Rhondda Cynon Taf (19%).<sup>254</sup>

21. In 2021, the Legatum Institute reported that more than 1 in 20 households in Wales experience “deep poverty”, the highest proportion outside London, and that living conditions are “below the UK average”.<sup>255</sup> According to research by the Bevan Foundation, nearly four in ten Welsh households do not have enough money to buy anything “beyond everyday items” and an increasing number of households have seen their income fall over 2021.<sup>256</sup> The foodbank group, the Trussell Trust, distributed 146,000 emergency food parcels in Wales between April 2020 and March 2021, a 8% increase on the year before and a 69% increase since 2015/16.<sup>257</sup>

22. According to the Social Mobility Commission, Wales has “had the highest child poverty rates in the UK for much of the last decade with 31% of children in poverty on average from 2017–18 to 2019–20”. Furthermore, between 2015 and 2019, 15% of children in Wales have experienced persistent poverty.<sup>258</sup>

253 B. Francis-Divine (26 October 2021), [Poverty in the UK: statistics](#), House of Commons Library: Briefing Paper No. 7096, p47

254 StatsWales (2020), [Income Deprivation - Indicator Data by Local Authority](#). These figures are from 2019.

255 Legatum Institute (2021), [The United Kingdom Prosperity Index 2021](#), p93. The Institute defines “deep poverty” as living more than 25% below the poverty line.

256 Bevan Foundation (December 2021), [A snapshot of poverty in Winter 2021](#), p12. The figure is 39%.

257 Trussell Trust ([BSW0044](#))

258 Social Mobility Commission, July 2021 [State of the Nation 2020–21: Social Mobility in Great Britain](#), pp.160–161

23. Those on low incomes look set to be particularly affected by rising domestic energy prices. Pre-pandemic, prices were higher in the Welsh regions, behind only the North of Scotland, which will have increased the risk of households falling into fuel poverty.<sup>259</sup> The number of households in fuel poverty in Wales has declined from 332,000 households (26%) in 2008 to 155,000 (12%) in 2018.

### ***In-work poverty***

24. Since the 1990s, Wales—in common with the rest of the UK—has seen a growth in the rate of in-work poverty.<sup>260</sup>

25. Overall, nearly one in five jobs in Wales are classified by the UK Government as being low paid.<sup>261</sup> The Institute for Public Policy Research (IPPR) reported that Wales, together with the Midlands and North of England, was second only to London in terms of in-work poverty. Pre-pandemic, the proportion of people living in working households in Wales who were in relative poverty stood at 18%, compared to 14% in Scotland and 13% in Northern Ireland.<sup>262</sup> In March 2020, the proportion of people in Wales on Universal Credit and in employment stood at 33%. By October 2021, this had risen to 39%, compared to a UK-wide figure of 41%.<sup>263</sup> Some 71% of children living in poverty in Wales live in working households, a figure which has been steadily increasing in recent years.<sup>264</sup>

26. Average hourly earnings are also lower in Wales than across the UK. The UK average was £15.59 while in Wales it is £14.40 per hour.<sup>265</sup> Pay is lower in particular areas, such as Conwy (£12.96), Powys (£13.20) and the Vale of Glamorgan (£13.41).<sup>266</sup>

### ***Disability***

27. The proportion of people in Wales who reported a disability to the UK Government's 2019/20 Family Resources Survey was 27%, five per cent higher than the UK national average.<sup>267</sup> More than half of those (51%) live in South East Wales, while 29% live in Mid and South West Wales.<sup>268</sup>

28. Not only does Wales have the highest rate of disability among the four nations, but this rate has also been increasing. While this partly reflects an ageing population, Wales has also seen an increase in the number of working-age adults with a disability.<sup>269</sup>

259 D. Hirst and N. Sutherland (13 September 2017), [Energy in Wales](#), House of Commons Library: Debate Pack No. CDP 2017/0163, p12

260 P. Bourquin, J. Cribb, T. Waters and X. Xu, Institute for Fiscal Studies (June 2019), [Why has in-work poverty risen in Britain?](#) Wales saw a growth in its in-work relative poverty rate from 16% in 1994 to 19% in 2017: Table 2, p17.

261 In-Work Progression Commission (July 2021), [Supporting progression out of low pay: a call to action](#). The Office for National Statistics (ONS) defines low pay as less than two-thirds of median hourly earnings. The percentage of jobs classed as being low paid in Wales was 19.1%. Northern Ireland was 21.1%, Scotland 14.5%, London 8.7% and the South East 13.9%.

262 Institute for Public Policy Research (26 May 2021), [Revealed: Working family poverty hits record high, fuelled by rising housing costs and childcare challenges](#). The figures cover the period 2017/18 - 2019/20. Accessed 12 January 2022.

263 Information supplied by DWP.

264 Welsh Government (September 2021), [Wellbeing of Wales: 2021](#)

265 [Labour Market Profile](#) - Nomis - Official Labour Market Statistics (nomisweb.co.uk) Accessed 25 February 2022.

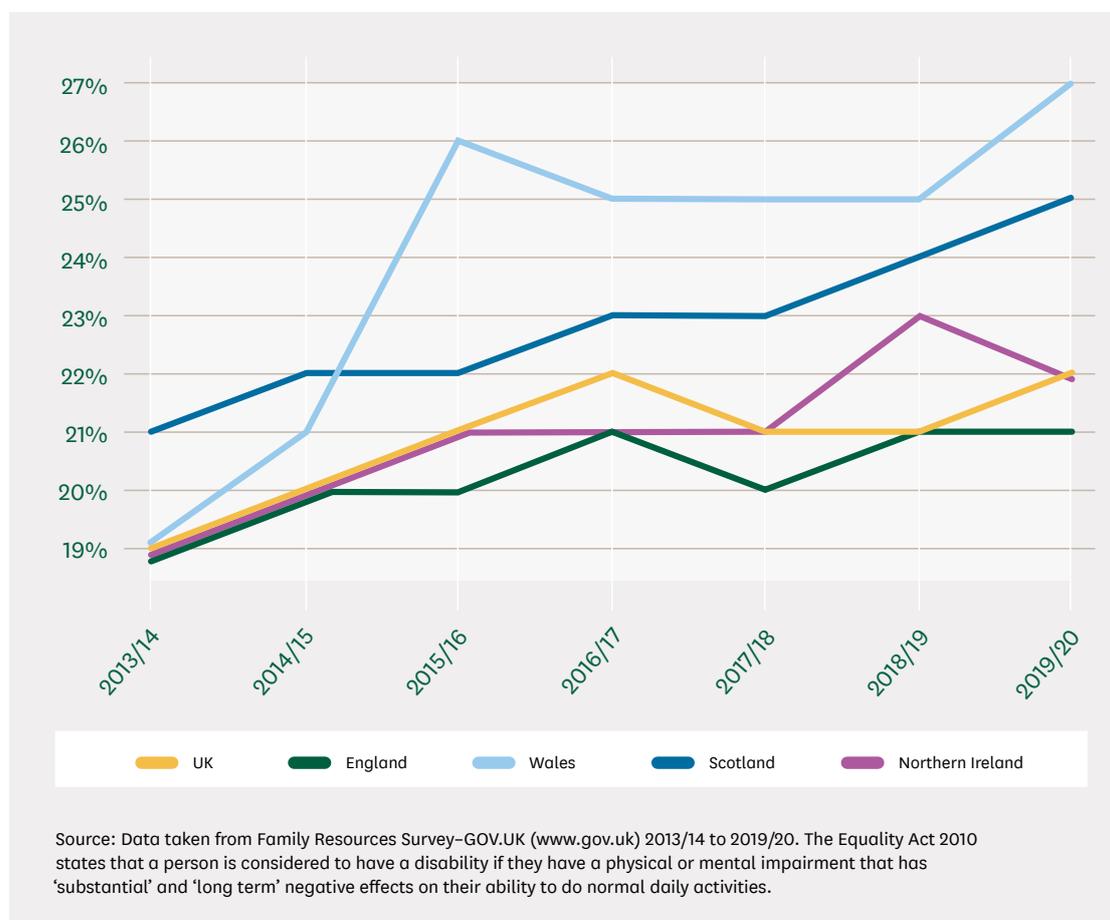
266 Welsh Government (November 2021), [Average \(median\) gross hourly earnings by Welsh local areas and year](#)

267 Department of Work and Pensions (March 2021), [Family Resources Survey: financial year 2019 to 2020](#). The DWP states the survey gives a pre-Covid baseline picture.

268 Welsh Government, Annual Population Survey: Disability (January 2022), [Disability Status by Region](#)

269 G. Atkins, G. Dalton, A. Phillips and A. Stojanovic (April 2021), [Devolved public services: The NHS, schools and social care in the four nations](#), Institute for Government, p13

## Disability prevalence by country



29. This makes Wales’ large gap between the employment rates of disabled and non-disabled people than in the UK particularly significant. Wales, together with the North West and the North East of England, all had a figure “significantly” higher than the overall UK level in 2013/14 and by 2020/21, Wales, together with Northern Ireland, the North East and the East of England, were the only areas not to have seen a “significant” decrease.<sup>270</sup>

## Age

30. Wales has an older population than other UK nations. The median age of the UK population in 2020 was 40.4 years; in Wales it was 42.4. More than one in five residents (21%) are aged 65 years and over, a proportion that is second only to the South West of England.<sup>271</sup>

270 Department for Work and Pensions (November 2021), [The employment of disabled people 2021](#). In the past year London and Wales were the only areas to see the disability employment gap widen by more than 1 percentage point. However, this change was not statistically significant.

271 Office for National Statistics (June 2021), [Population estimates for the UK, England and Wales, Scotland and Northern Ireland](#). Wales had the highest median age (42.4 years), followed by Scotland (42.1 years), England (40.2 years) and Northern Ireland (39.2 years). The South West (22.4%) had the highest percentage of people aged 65 years and over; Wales was 21.1% and the UK was 18.6%.

## National regional and age structure of UK, mid-2020

	Median Age (years)	Percentage of population aged 65 years and over	Percentage of population aged 85 years and over
UK	40.4	18.6	2.5
England	40.2	18.5	2.5
North East	41.7	20.1	2.5
North West	40.3	18.8	2.4
Yorkshire and the Humber	40.2	18.9	2.4
East Midlands	41.4	19.6	2.5
West Midlands	39.6	18.7	2.5
East	41.8	20.0	2.8
London	35.8	12.2	1.7
South East	41.9	19.7	2.8
South West	44.1	22.4	3.1
Wales	42.4	21.1	2.7
Scotland	42.1	19.3	2.3
Northern Ireland	39.2	16.9	2.1

Source: Office for National Statistics (25 June 2021) Population estimates for the UK, England and Wales, Scotland and Northern Ireland

31. The demographic balance of the population is expected to change further: the Welsh Government’s Chief Economist reported in 2021 that Wales not only “faces a challenge from the slow growth of, and potential decline in, its population”, it was anticipated to be most marked in the 16–64 age-group.<sup>272</sup> This not only has economic implications, due to this age-group being the most economically active, but also raises the likelihood of Wales having a higher proportion of the population with ill health or a disability.

### Geography

32. Wales is significantly more rural compared to much of the rest of the UK. Around a third of the Welsh population lives in an area classed as rural, compared to around 1 in 5 people in England, raising particular issues for benefit claimants, whether in work or not.<sup>273</sup>

33. One particularly significant issue for those living in rural Wales is connectivity—both in terms of transport infrastructure and digital access. In its written evidence, All Wales People First reported to us that “the infrastructure in some areas of Wales and the current public transport systems do not lend themselves well to being able to get around reliably and on time for appointments and work”.<sup>274</sup>

272 J. Price, Chief Economist, Welsh Government (20 December 2021), [Chief economist’s report](#), p1

273 E. Scott, House of Lords Library (27 January 2020), [Fact file: Rural economy](#). The proportion in Wales is 32.8% and in England 20.9%. However, the classification of areas as rural and urban is based on different methodologies so this comparison has limitations.

274 All Wales People First ([BSW0029](#))

34. Poor accessibility also means that those on low incomes have less choice over where to shop. Conwy County Borough Council told us that this leads to people relying on the “more expensive, local convenience stores”. It called for people on low income in Wales to be given a free bus pass.<sup>275</sup>

35. Those with disabilities living in the countryside can face particular hurdles with claiming benefits. In its written evidence, Diverse Cymru stated that the lower mobility rate component of assessments is 200 metres, “yet for many people the nearest bus stop is 400 to 500 metres away and the nearest shops and services are the same. It argued that the criteria should “reflect people’s circumstances and enable people to access essential services and to live their lives”.<sup>276</sup>

36. Some 4% of Welsh premises have no access to ‘decent broadband’ via a fixed connection, compared to 2% in the UK overall. Four out of these are in rural areas.<sup>277</sup>

### Premises unable to receive decent broadband from a fixed line

	Total	Rural	Urban
England	2% (451,000)	7% (234,000)	1% (217,000)
Northern Ireland	6% (45,000)	17% (39,000)	1% (6,000)
Scotland	4% (100,000)	17% (87,000)	1% (13,000)
Wales	4% (55,000)	12% (43,000)	1% (11,000)
UK	2% (651,000)	9% (403,000)	1% (248,000)

Source: Ofcom (16 December 2021), Connected Nations 2021 Wales Report, p13. Premises are considered to have access to a decent fixed connection if it has a download speed of at least 10 Mbit/s and an upload speed of at least 1 Mbit/s and to have access to an indoor 4G mobile service if a connection speed of at least 2 Mbit/s is available.

37. Some 7,850 premises are unable to access a decent connection from any means, the majority of which are in rural areas.<sup>278</sup>

275 Conwy County Borough Council ([BSW0004](#))

276 Diverse Cymru ([BSW0010](#))

277 Ofcom (16 December 2021), [Connected Nations 2021 Wales Report](#), p13. Premises are considered to have access to a decent fixed connection if it has a download speed of at least 10 Mbit/s and an upload speed of at least 1 Mbit/s and to have access to an indoor 4G mobile service if a connection speed of at least 2 Mbit/s is available.

278 Ofcom (16 December 2021), [Connected Nations 2021 Wales Report](#), p19 and p20

**Ten local authorities in Wales with the highest (in descending order) number of premises which are unable to receive decent broadband from either 4G, Fixed connection or WISP**

Local authority	Premises without Mobile Fixed-WISP	
Powys	2,529	3.6%
Camarthenshire	1,050	1%
Ceredigion	947	2.5%
Gwynedd	850	1%
Monmouthshire	753	2%
Pembrokeshire	548	1%
Conwy	390	1%
Denbighshire	310	1%
Wrexham	137	0.2%
Anglesey	103	0.3%

Source: Ofcom (16 December 2021), Connected Nations 2021 Wales Report, p20

279

## Housing

38. The National Residential Landlords Association reported to us that private rented sector households were “proportionally more likely” to see a shortfall between the Local Housing Allowance<sup>280</sup> rate and their rents compared with similar households across Britain.<sup>281</sup> According to the Bevan Foundation, the LHA rate only covers the full, advertised rent of less than 1 in 20 (4.8%) properties on the market.<sup>282</sup> Though the UK Government restored the level of the Local Housing Allowance (LHA) to 30% during the pandemic, it has now frozen this.

39. The Bevan Foundation also reported to us that the under-occupancy policy impacts a higher proportion of social housing tenants in Wales than across Great Britain as a whole.<sup>283</sup> The Trussell Trust found that comparatively more people referred to its food banks in Wales were impacted by this policy (29%) compared to the UK as a whole (18%).<sup>284</sup>

40. The reason for this, according to the Welsh Revenues and Benefits Managers Group, is that the geography of Wales “does not lend itself to widespread 1-bed flat/apartment construction outside of key cities and in such cities, these have been predominantly developed for the use of ‘professionals’ and not the wider rented sector”.<sup>285</sup>

**41. The demographic, economic and geographic challenges we have highlighted set the context for the benefits system in Wales. While it is a reserved competence, that does not mean the environment in which it operates is identical to that elsewhere in Great Britain. There are pressures here which underline the need for the UK Government to be conscious of the Welsh context when deciding welfare policy.**

## Lessons from the pandemic for the UK social security system

42. The Covid-19 pandemic placed unprecedented pressure on the social security system in Wales and across the United Kingdom. This chapter looks at the performance of the Department for Work and Pensions (DWP) and the benefits system in responding to the pandemic, as well as the lessons from the pandemic for the system going forward.

### DWP delivery in Wales

43. The first lockdown had an immediate and unprecedented impact. One in five jobs in Wales were in the sectors where most businesses were forced to close or reduce trading.<sup>286</sup> Some 474,600 employments were furloughed at some point during the lifespan of the Coronavirus Job Retention Scheme.<sup>287</sup> However, the impact was uneven. For example,

280 The Local Housing Allowance is used to work out how much help with housing costs a claimant can get if they rent privately.

281 National Residential Landlords Association ([BSW0029](#)). It stated that, of the 63,862 households in Wales in receipt of Universal Credit, 44,984 (70%) had a UC award where the Local Housing Allowance rate did not cover their rents. In Britain, the figure is 856,253 (55%). The figures refer to claimants in receipt of a Universal Credit award with a housing cost support element included.

282 Bevan Foundation (September 2021), [Wales' housing crisis: the role of LHA](#) p1

283 Bevan Foundation ([BSW0025](#)). It states that the proportion in Wales is approximately 15% compared with 12% across Great Britain.

284 Trussell Trust ([BSW0044](#))

285 Welsh Revenues and Benefits Managers Group ([BSW0031](#))

286 Social Mobility Commission (July 2021), [State of the Nation 2020–21: Social Mobility in Great Britain](#) p160. The figure reported was 250,000.

287 HM Revenue and Customs (December 2021), [Coronavirus Job Retention Scheme statistics: 16 December 2021: Table 7](#)

those under the age of 25 were more likely to work in industries which had to close in the early stages of the pandemic. In addition, people from low-income households were the most likely to lose their jobs, lose their income or be furloughed.<sup>288</sup>

44. By April 2021, the claimant count was almost twice the level seen at the start of 2020.<sup>289</sup> Sarah Pearson, Area Director Work and Health Services, Wales, the Department of Work and Pensions told us that daily claims increased by 10 times and caseloads rose in Wales by “about 76%”.<sup>290</sup>

45. However, the benefits system was able to withstand the immensity of the challenges posed by the pandemic. While we heard some concerns about the digitisation of Universal Credit, it overwhelmingly proved its value during the pandemic.<sup>291</sup> The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, told us that the Universal Credit system had been “stress-tested... to the highest level and we have seen that it is agile, it is responsive, and it did not fall over. People got paid when they needed to”.<sup>292</sup>

46. The Welsh Government welcomed the speed of the response, saying that it showed that the system could be “be flexible and respond proactively to significant challenges”.<sup>293</sup> Anvar Sarygulov from the think tank Bright Blue told us that the Universal Credit system was “able to pick up [the increased demand] without much issue. The legacy system would not have been able to respond to that”.<sup>294</sup> Deputy Chief Executive of the Resolution Foundation, Dr Mike Brewer, described the digitisation as an “enormous resource”.<sup>295</sup>

47. We also heard evidence about the response from DWP staff. Professor Lisa Scullion, Professor of Social Policy at the University of Salford, told us that there were “very positive views” about the DWP from many of the claimants her team had interviewed.<sup>296</sup> Professor Scullion noted that respondents to her surveys had reported “positive interactions with staff when they talked to them on the phone, so there were things that worked really well”.<sup>297</sup>

48. The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, told us that DWP staff were “unsung heroes” who were “incredibly dedicated”. He described the response as “all hands to the pump” and noted how “everybody turned their attention to how they could help fulfil these claims—so much so that people who are now in my private office turned to the frontline”.<sup>298</sup>

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288 Welsh Government (September 2021), [Wellbeing of Wales: 2021](#). Some 27% of employees in those industries were aged under 25. Senedd Research (25 May 2021), [Poverty and supporting low-income households](#).

289 Senedd Research (24 May 2021), [Recovering from the “biggest economic challenge in living memory”](#). The claimant count is the number of people receiving Jobseeker’s Allowance or who receive Universal Credit and are required to look for work. Senedd Research reports that some of this increase will have been caused by changes to Universal Credit eligibility.

290 [Q219](#)

291 See [Q17](#), [Q196](#), Conwy Borough Council ([BSW0004](#)), Swansea Council ([BSW0020](#)), Community Housing Cymru ([BSW0040](#)) and Disability Wales ([BSW0049](#))

292 [Q217](#)

293 Welsh Government ([BSW0036](#))

294 [Q64](#)

295 [Q60](#)

296 [Q21](#)

297 [Q17](#)

298 [Qq211](#) and [234](#)

49. **The pandemic demonstrated how resilient the UK social security system can be in the face of significant challenges. Despite the huge surge in demand, Universal Credit continued to function and ensure benefits were paid out to a markedly increased pool of claimants. That Universal Credit was able to withstand these pressures was a result not only of digitalisation, but also the immense efforts of DWP staff, and also to the leadership of the DWP. We want to pay tribute to their commitment and hard work in facing such unprecedented challenges.**

### ***Benefit support during the pandemic***

50. As noted in paras. 43–45, the pandemic had immediate and significant consequences for hundreds of thousands of people. Dr Victoria Winckler, Director of the Bevan Foundation, told us that the pandemic had taught us that:

[...] the social security system really matters and that it can matter to any of us. It should not be regarded as something that is only the province of people who do not draw their curtains in the morning.<sup>299</sup>

51. The UK Government responded to Covid-19 by introducing new, or extending existing, packages of support for benefit claimants. Not only did it consider financial need, but also how the operation of the system should change to accommodate social distancing, self-isolation or shielding.

52. The most high-profile of the changes was the so-called ‘uplift’: the £20 per week increase in Universal Credit and Working Tax Credit. Community Housing Cymru told us that the uplift had been “fundamental” in enabling tenants to manage their finances and stay out of debt.<sup>300</sup> Shelter said that it had had a “significant, positive effect, delivering support directly to the people who need it the most”, while Welsh Revenues and Benefits Managers described it as a “lifeline”.<sup>301</sup>

53. The Chancellor of the Exchequer, the Rt Hon Rishi Sunak, brought in the uplift in March 2020 to “strengthen the safety net”.<sup>302</sup> In 2015, the then Chancellor of the Exchequer, the Rt Hon George Osborne MP had frozen some working-age benefits, saying that they needed to be put on “a more financially sustainable footing” and that the “best route out of poverty is work”.<sup>303</sup>

54. The Resolution Foundation has calculated that, after adjusting for price increases, the freeze had cut the real level of those benefits by 6 per cent, and in many cases that has come on top of earlier real cuts”.<sup>304</sup> The Institute for Government and Social Security Advisory Committee reported in 2021 that, many benefit rates over the 45 years prior to the pandemic had “fallen appreciably relative to average earnings and, in the last decade, in real terms. In some cases, they had reached historic lows”.<sup>305</sup>

299 [Q95](#)

300 Community Housing Cymru ([BSW0040](#))

301 Shelter ([BSW0048](#)); Care and Repair ([BSW0015](#)). See also, for example: Conwy County Borough Council ([BSW0004](#)), Dr Sara Closs Davies, Dr Hefin Gwilym and Dr Dave Beck ([BSW0013](#)), Children’s Commissioner for Wales ([BSW0016](#)), Children in Wales ([BSW0034](#)), Cymorth Cymru ([BSW0043](#)) and Chwarae Teg ([BSW0008](#))

302 UK Government (20 March 2020), [The Chancellor Rishi Sunak provides an updated statement on coronavirus](#)

303 UK Government (8 July 2015), [Chancellor George Osborne’s Summer Budget 2015 speech](#)

304 Resolution Foundation (October 2019), [The benefit freeze has ended, but erosion of the social security safety net continues](#)

305 Institute for Government and Social Security Advisory Committee (March 2021), [Jobs and benefits: the COVID-19 challenge](#), p31

55. Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us that “(w)e can have all sorts of debates about what is adequate... but ultimately what we are trying to do is to create this safety net, and it has been developed over time with conditions, and then help people get on their own two feet”.<sup>306</sup>

56. However, we also received evidence that the uplift had been insufficient to deal with the extra challenges that claimants faced. Save the Children argued that families were already facing “high levels of financial difficulty” so the additional support was used to “plug the gaps” that were already there.<sup>307</sup> A participant in the Covid Realities research project, Lexie, reported that a flat £20 increase was “still insufficient, and doesn’t reflect different levels of need in different families of different sizes”.<sup>308</sup>

57. Professor Christina Beatty, Centre for Regional Economic and Social Research, Sheffield Hallam University, told us that the financial impact of the end of the temporary ‘uplift’ amounted to £245 million a year in Wales. She emphasised that:

[it] is not money that people put away for a rainy day. That is money that people use on day-to-day living expenses and is spent in those local communities. It has an impact on the local economy as well as on the individuals.<sup>309</sup>

58. However, Anvar Sarygulov, Senior Research Fellow at the think tank Bright Blue told us there are “probably better ways” to spend the money, such as giving new Universal Credit claimants grants rather than loans or modifying the taper rate.<sup>310</sup> While Charlotte Pickles, Director of the think tank Reform, suggested that putting money back into the standard allowance might be “an effective way” of supporting a family struggling with living costs in the short-term, but that longer-term “you have to be able to reduce demand in order to be more generous”.<sup>311</sup> She argued that the UK Government should look at incentives for second earners, the taper rate and earnings disregards.<sup>312</sup>

59. Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, emphasised to us that the uplift had only ever been planned as a temporary measure “to help with the most extreme elements of the pandemic”. He argued that the situation was now different, arguing that “there are vacancies out there, and now what we need to do encourage work incentives”. He cited the reduced taper rate and increased working allowances announced in the autumn Budget—both of which will be discussed later in this chapter.<sup>313</sup>

60. We also received evidence in support of the increase in the Local Housing Allowance (LHA), the rate of which was raised to the 30th percentile of market rent in each area. The Joseph Rowntree Foundation reported that this increase benefited “some 45,000” households in Wales and Cymorth Cymru described it as making “a positive difference”.<sup>314</sup>

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306 [Q221](#)

307 Save the Children ([BSW0042](#))

308 Covid Realities research project ([BSW0046](#))

309 [Q19](#)

310 [Q96](#)

311 [Q98](#)

312 [Q96](#)

313 [Q217](#)

314 Joseph Rowntree Foundation ([BSW0019](#)) and Cymorth Cymru ([BSW0043](#))

However, both organisations were concerned about the UK Government’s later decision to freeze this rate at March 2020 levels. The Joseph Rowntree Foundation argued that it would lead to “gaps re-emerging between actual rents and the amount of support available at a time when that support is most needed”.<sup>315</sup>

61. Some of the actions to support disability claimants, particularly the suspension of face-to-face assessments, received a mixed response. Many people with disabilities found the switch to online assessments far less stressful than face-to-face, but this view was not universal.<sup>316</sup> Cordelia Deady, Welfare Rights Supervisor, Wrexham County Borough Council told us, for example, that while some claimants had welcomed digitisation, this was not true for all claimants:

If you are not confident with literacy, with computers, if you only have a smartphone with mobile data, it is hard. There is no one simple answer.<sup>317</sup>

Similarly, Megan Thomas, Policy and Research Officer, Disability Wales, told us that a “blended approach” was needed, with claimants able to communicate with the system in the way “that suits them best”.<sup>318</sup>

62. Cordelia Deady, Welfare Rights Supervisor, Wrexham County Borough Council told us that advisors found their efforts to help people apply for Universal Credit were being impeded by the need for claimants to give explicit consent to a third party acting on their behalf.<sup>319</sup> Pre-UC legacy benefits use an ‘implicit consent’ model, whereby DWP staff can use their ‘judgement and experience’ to decide whether the claimant has consented to a third party acting on their behalf.

63. Ms Deady told us that:

We find people are scarily willing to share their passwords. There is a real risk that, by trying to secure people’s data and by not allowing implicit consent, the DWP is encouraging clients to do something even riskier and let someone have back-door access to all their information.<sup>320</sup>

Ms Deady felt that implicit consent had “worked brilliantly for all the other benefits”. Alison Corriea, Welfare Adviser, Cartrefi Conwy Housing Association felt it was “much easier to deal [with] and get problems sorted”.<sup>321</sup>

**64. We are concerned to hear that welfare rights advisors believe that Universal Credit’s explicit consent model has impeded their ability to help claimants and has led to some people sharing personal data such as passwords. We would welcome the UK Government reviewing its decision to end the implicit consent model of the legacy benefit system.**

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315 Joseph Rowntree Foundation ([BSW0019](#))

316 Diverse Cymru ([BSW0010](#))

317 [Q195](#)

318 [Q197](#)

319 Work and Pensions Committee (19 October 2020), [Universal Credit: the wait for a first payment, Third Report of Session 2019–21](#), HC 204, para 141. Depending on the issue, explicit consent may need to be given repeatedly.

320 [Q185](#)

321 [Q201](#)

65. The UK Government also made changes to Statutory Sick Pay (SSP), making it payable from the first day of illness if a claimant could not work due to coronavirus, extending it to cover those shielding and allowing those self-isolating to provide 'isolation notes' rather than fit notes.<sup>322</sup>

66. In April 2021, the Resolution Foundation reported that “our pre-existing system gave workers little protection against being sick” and that “around two million low-paid employees... are entitled to nothing”.<sup>323</sup> Dr Victoria Winckler, Director of the Bevan Foundation, described sick pay as a “real Cinderella area”. She told us that people working in hospitality, social care and retail saw it as “the biggest concern that they had”. She argued that it was “not just a benefit issue, it is a public health issue as well in that people are going into work, spreading infections of whatever sort, sometimes to vulnerable people as well”.<sup>324</sup>

67. The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us that SSP needed to be looked at “in the round” with other benefits being paid. He argued that it was “wrong to look at it in isolation. We need to look at what is available within [Universal Credit], and at other payments for individuals, especially if they have a longer-term condition”.<sup>325</sup> He told us that:

To say that because of that unique situation, we need to change statutory sick pay completely—pre-pandemic, the economy was in good shape and employment prospects were improving, and that is where we want to get our economy back to, so that people have the financial resilience to be able to cope with a week off for flu, or whatever it might be.<sup>326</sup>

**68. We acknowledge that the UK Government has difficult choices to make in ensuring the benefits system is financially sustainable in the long-term. We welcome its reduction of the taper rate and increase in the work allowance in the autumn Budget.**

### ***Support for in-work claimants***

69. Some 40% of Universal Credit claimants are already in work: the issue for them is not finding a job but finding a higher paid one or more hours.<sup>327</sup> As discussed in paras. 24–26, Wales has one of the highest rates of in-work poverty in the UK: together with the Midlands and the North of England, it is second only to London.<sup>328</sup> Child Poverty Action Group told us that improving the way that the benefit system supported working parents was “crucial” if rates of child poverty were to fall.<sup>329</sup>

70. We also received evidence that suggested that the support provided could go much further. Charlotte Pickles, Director of the think tank Reform, told us that:

322 F. Hobson (26 October 2021), [Coronavirus: Withdrawing crisis social security measures](#), House of Commons Library: Briefing Paper No. CBP08973 pp33–34

323 Resolution Foundation (April 2021), [In-need-of-support](#) p11. To be eligible for sick pay, employees or agency workers have to earn an average of at least £120 per week. UK Government [Statutory Sick Pay \(SSP\) : Eligibility](#)

324 [Q72](#)

325 [Q222](#)

326 [Q224](#)

327 Work and Pensions Committee, September 2021 [Thousands face 'severe hardship' as Minister rejects UK-wide call to keep Universal Credit uplift](#)

328 Institute for Public Policy Research, May 2021 [Revealed: Working family poverty hits record high, fuelled by rising housing costs and childcare challenges](#). The figures concern the period 2017/18 - 2019/20. Accessed 12 January 2022.

329 Child Poverty Action Group ([BSW0009](#))

If you are really saying to people that they are better off in work—and we should want that to be the case, not just for the financial implications but for the social inclusion and the health and welfare of people—being able to keep more of that money they earn for a bit longer would be a very good investment by the taxpayer.<sup>330</sup>

71. The independent In-Work Progression Commission published a report in July 2021 on the barriers facing those in low-pay jobs. Among other findings, the Commission called on the UK Government to “consider how the design of Universal Credit, especially the taper rate and work allowances, can best support progression incentives”.<sup>331</sup>

72. During our inquiry, the Chancellor of the Exchequer, the Rt Hon Rishi Sunak MP, announced in the 2021 autumn Budget two significant changes to Universal Credit. The first change was a reduction in how much Universal Credit is withdrawn when a person starts paid employment, from 63% to 55%. The second change was an increase in working allowances for claimants with children or limited capability for work.<sup>332</sup>

73. While the Chancellor of the Exchequer changed the levels of both the taper rate and work allowances in the autumn Budget, evidence we received points to further ways in which Universal Credit could be adapted in the interests of those who work. These included creating incentives for second earners or broadening the net of who receives work allowances.

74. In its written evidence, the Welsh Government stated that the UK Government’s abolition of work allowances for any claimant without children or limited capability to work had “undermined the key policy aim that Universal Credit makes work pay”.<sup>333</sup> The Pobl Group, which represents social housing landlords, also called for the reinstatement of work allowances for claimants without children, while Chwarae Teg has argued that providing allowances for second earners would help to improve gender equality, as women are often the second earner.<sup>334</sup>

**75. Around 40% of claimants are in work. Many of those who became eligible for Universal Credit during the pandemic will have done so through losing income while on furlough rather than through losing a job. For those whose pay is supplemented by Universal Credit, the issue is not finding work, it is finding higher paid work. Accordingly, we welcome the changes in the autumn Budget to the taper rate and work allowance, putting more money into the hands of working households, and urge it to keep under review further changes which would benefit those in work.**

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330 Q97

331 In-Work Progression Commission (July 2021), [Supporting progression out of low pay: a call to action: Recommendation 2.4.](#)

332 HM Treasury (December 2021), [Autumn Budget and Spending Review 2021](#). The amount by which Universal Credit is withdrawn is called the taper rate.

333 Welsh Government ([BSW0036](#))

334 Pobl Group ([BSW0035](#)) and Chwarae Teg ([BSW0008](#))

### **Support for the Self-employed**

76. 13.3% of the Welsh workforce overall is self-employed, this compares closely with the UK average of 13.5%. Levels of self-employment vary considerably across Wales: in Powys, 25.4% of the workforce is self-employed, while in Neath Port Talbot the self-employed only account for 6.4% of the total workforce.<sup>335</sup>

77. In March 2020, the UK Government announced the [Self-Employment Income Support Scheme \(SEISS\)](#), paying taxable grants worth 80% of someone's average monthly trading profit for a three-month period. A further five grant schemes were run over the lifetime of the scheme.<sup>336</sup> Across the five schemes, 122,000 self-employed individuals in Wales made 418,000 claims worth £1.1 billion; in Scotland 628,000 claims were made by 175,000 individuals for £1.7 billion; and in Northern Ireland 294,000 claims were made by 85,000 individuals for £0.8 billion.<sup>337</sup>

78. However, the Institute for Fiscal Studies reported that the scheme only offered support to “just over 80%” of those who got the majority of their income from self-employment, as those with an income over £50,000, did not have a recent tax return or who ran their business as a limited company were not eligible to apply.<sup>338</sup>

79. In addition, some of those who applied for Universal Credit may have found they were not eligible to claim as savings they had accrued to pay for future tax bills put them above the Universal Credit savings limits.<sup>339</sup> Dr Mike Brewer, Deputy Chief Executive of the Resolution Foundation, told us that “arguably [capital limits] should be different for self-employed and employed people”. He believed that the UK Government should “think about how they want to ensure and protect self-employed people in the event of shocks, and get those systems in place before the next economic crisis”.<sup>340</sup>

80. When asked if the UK Government would review the capital savings limits for the self-employed, Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us that “at this stage there are no plans to change the capital limits” but acknowledged that the UK Government had “learned more” during the pandemic.<sup>341</sup>

81. The UK Government also helped self-employed claimants by suspending the Minimum Income Floor. Pre-pandemic, if a self-employed Universal Credit claimant's earnings fell below the so-called Minimum Income Floor, then this was used to work out the claim instead of their actual earnings, thereby reducing the amount that a claimant would otherwise receive. The UK Government suspended the Floor in March 2020 but

335 StatsWales (27 January 2022), [Status of employed persons by Welsh local authority and measure](#)

336 A. Seeley (28 January 2022), [Coronavirus: Self-Employment Income Support Scheme](#), House of Commons Library: Briefing Paper No. 8879, p4–6. Those claiming could receive a grant up to £7,500 in total. The SEISS ended in September 2021.

337 HM Revenue and Customs (16 December 2021), [Self-Employment Income Support Scheme statistics: December 2021](#). Section 5

338 Institute for Fiscal Studies (02 April 2020), [Income protection for the self-employed and employees during the coronavirus crisis](#) and A. Seeley (28 January 2022), [Coronavirus: Self-Employment Income Support Scheme](#), House of Commons Library: Briefing paper No. 8879, p9–10

339 UK Government, [Universal Credit: Eligibility](#) (accessed 07 February 2022). People with savings of more than £16,000 are not eligible for Universal Credit, while those with savings between £6,000 and £16,000 receive lower payments.

340 [Q75](#)

341 [Q237](#)

began reintroducing it from 31 July 2021.<sup>342</sup>

82. The charity Shelter Cymru argued that, given the extent of self-employment in Wales, its reintroduction would lead to “disproportionate numbers of people further into poverty in Wales”.<sup>343</sup> Ending the suspension and other pandemic-related measures, would “pull the rug from under people still recovering from the impacts of Covid on their finances and housing situations”.<sup>344</sup>

83. However, the Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP, defended the Floor, arguing that it was there to encourage people to “make sure that their business is viable”. He said the Government had given “extended periods where people can prove the concept of their business” and were able to receive support from work coaches.<sup>345</sup> Of the 1,058 Work Coaches in Wales, 60 are specialists who are trained in working through business plans with claimants to assess if they are gainfully self-employed.<sup>346</sup>

**84. We welcome the extent of support that the UK Government provided during the pandemic, but we note that not all self-employed people were eligible. We welcome the UK Government’s acknowledgement that it has “learned more” about the issues with capital limits and we would welcome more details from the DWP about the lessons it has learned.**

## Intergovernmental relations

85. The benefits system intersects with a wide range of devolved responsibilities, such as education, skills, housing and health. Claimants may need to develop skills, require careers advice or access suitable transport to attend a course. Such areas are the responsibility of the Welsh Government. This chapter examines the effectiveness of the relationship between the two Governments at both a policy and operational level. It also explores the potential implications of the Welsh Government’s pilot of basic income and considers whether the benefits system should be devolved.

### *Dialogue between the two Governments*

86. We heard that there was a generally good relationship at an official-to-official level between the Welsh Government and the Department for Work and Pensions (DWP). The Welsh Government’s Minister for Social Justice, Jane Hutt MS, for example, told us that the Welsh Government worked “very closely” with the DWP and would like to work “even closer”.<sup>347</sup> Speaking for the UK Government, the Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us that:

Yes, there are occasionally some bumps in the road, but when I see the degree of collaborative working between the two different Governments

342 F. Hobson (26 October 2021), [Coronavirus: Withdrawing crisis social security measures](#), House of Commons Library: Briefing Paper No. CBP08973 p11. The UK Government began reintroducing the Floor from 31 July 2021.

343 Shelter ([BSW0048](#)). See also Purple Shoots Business Lending ([BSW0002](#)), Conwy Borough Council ([BSW0004](#)), United Welsh ([BSW0005](#)), Child Poverty Action Group ([BSW0009](#)), Bright Blue ([BSW0024](#)) and Welfare Rights Advisors Cymru ([BSW0027](#)).

344 Shelter ([BSW0048](#))

345 [Q238](#)

346 Information supplied by DWP.

347 Q158

and when we see the work that is happening locally as well—with support from Members of Parliament from both sides—to me this is a system that is working.<sup>348</sup>

87. Andrew Latto, Deputy Director of the Devolution, Pensioner Benefits and Carer's Allowance Policy Group in the DWP, told us that those “bumps” had arisen as a result of communication issues. He said that:

we just did not know the right people to talk to. We needed to reach out—in our case into the Welsh Government, and in the Welsh Government's case into DWP—to find the right people to talk to to sort that out, so that people did not suffer inadvertently as a result.<sup>349</sup>

He told us that there was now a “greater propensity” from the Welsh Government to engage with the UK Government earlier, while the “policy side” of DWP now had a “much greater awareness of the devolution settlement—of what is devolved in Wales and what is not”.<sup>350</sup>

88. While both Governments were positive about how officials worked together at an operational level, the Welsh Government's Minister for Social Justice, Jane Hutt MS described the engagement of UK ministers as “disappointing”. She told us that she had had no response to letters she had written to the Secretary of State for Work and Pensions, the Rt Hon Dr Thérèse Coffey MP, regarding the £20 uplift, until after the UK Government confirmed it would end.<sup>351</sup>

89. Geth Williams, Deputy Director of the Wales Office, highlighted to us the “frequent” bilateral meetings which were held during the pandemic between the Secretary of State for Wales and the First Minister and Welsh Ministers more generally. The Secretary of State for Levelling Up, Housing and Communities also meets weekly with the First Ministers and the Secretaries of State for Wales, Scotland and Northern Ireland.<sup>352</sup>

90. Geth Williams told us that the Wales Office's role was to “facilitate” and “oil the wheels” of intergovernmental relations between UK Government Departments and Welsh Governments. He added that the Wales Office was “certainly not a block in terms of Welsh Government talking to UK Government Departments directly, and we would not want to be”. However, he suggested that where there were particular issues, “you would expect the Secretary of State to be aware and to get involved in order to help sort it out”.<sup>353</sup>

91. Despite this, it was not obvious that the Wales Office was being consistently consulted on, and engaged in resolving high profile disputes between the UK and Welsh governments.<sup>354</sup> For example, in November 2021, the Welsh Government Finance Minister,

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348 Q254

349 Q245

350 Q246

351 Q246

352 Q245. Bilateral meetings between UK and Welsh Government ministers form part of a wider network of intergovernmental arrangements. In Scotland, where there has been a partial devolution of social security powers, the UK and Scottish Governments have formed a Joint Ministerial Working Group on Welfare, to ensure a smooth transfer of responsibilities and resolve any problems. Following the UK Government's review of intergovernmental relations, an Inter-ministerial Group on welfare will be established, bringing together ministers from all four nations rather than Welsh ministers alone (UK Government (January 2022), Review of Intergovernmental Relations).

353 [Q250](#)

354 BBC News Online (9 June 2021), [Universal basic income: UK government 'not told' about Welsh plans](#)

Rebecca Evans MS announced a £100 winter payment to low-income households. She said the Welsh Government was in talks with the UK Government about the possible benefits and tax implications for those who claimed it. Yet it appears that the Wales Office had not been consulted as part of these talks, with the Secretary of State for Wales, the Rt Hon Simon Hart MP saying that the payment hadn't "come across my desk".<sup>355</sup>

**92. We welcome the extent of joint working between ministers throughout the pandemic, including meetings between the Secretary of State for Wales and the First Minister and other Welsh Government Ministers, as well as multilateral meetings chaired by various UK Ministers. This reflected not only the gravity of the situation but also the value of regular meetings at ministerial level. However, we would welcome information from the Wales Office about how it intends to facilitate the working relationship between the DWP and the Welsh Government going forward.**

### ***Awareness of available support***

93. We received evidence which suggested that people were not always aware of what they were entitled to. As Cordelia Deady, Welfare Rights Supervisor, Wrexham County Borough Council, put it:

People do not know what they do not know. If you do not think of yourself as being the type of person who claims benefits, you are not going to proactively go out looking for information about the financial help that is out there.<sup>356</sup>

94. Age Cymru's written evidence to our inquiry suggested that 80,000 households in Wales were eligible for Pension Credit but were not claiming it because "people don't know about it or don't apply as they believe they won't qualify".<sup>357</sup> It recommended that public services must be "proactive" in telling older people when they become eligible for benefits.<sup>358</sup> The charity Children in Wales reported that care leavers had "low levels of awareness of entitlements to both devolved and non-devolved benefit(s)", while Alison Corriea, Welfare Adviser, Cartrefi Conwy Housing Association, told us that some claimants would not know they could be entitled to contribution-based benefits.<sup>359</sup> She also told us that some people "get embarrassed about claiming benefits", noting that pensioners, in particular, did "not want to be a burden on the state".<sup>360</sup>

**95. The DWP and Welsh Government should work together with local authorities to run a take-up campaign on Pension Credit, with messaging designed to both raise awareness but also address any reservations some older people may have about claiming it.**

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355 Nation Cymru (17 November 2021), [Tory minister 'wasn't consulted' by Welsh Gov on £100 support for low income households](#)

356 Q184

357 Age Cymru (BSW0032). See also Age UK, May 2021 [Benefit take-up and older people](#). Across the UK, an estimated 63% of families who were entitled to Pension Credit received it in the fiscal year ending 2019. Department for Work and Pensions (29 October 2020), [Income-related benefits: estimates of take-up: financial year 2018 to 2019](#).

358 Age Cymru (BSW0032)

359 Children in Wales (BSW0034) and Q187

360 Q207

96. We received considerable evidence of the difference the Welsh Government's Discretionary Assistance Fund had made to people during the pandemic. During the pandemic, the Welsh Government increased the number of applications a household could make and how frequent the payments could be. As of January 2022, the Welsh Government had awarded 279,722 emergency payments from the Fund, totalling £19,012,243.<sup>361</sup>

97. Financial Inclusion Support Workers at Newport City Council Mrs Sarah Miller and Mrs Francesca Bellandi described the Fund as “a lifeline”.<sup>362</sup> The foodbank group, the Trussell Trust, reported that it had “helped to mitigate some of the pressure on food banks, by providing an alternative, more dignified form of support to people facing destitution”.<sup>363</sup>

98. However, some groups emphasised that many people were still unaware of the Fund. The British Red Cross described the need to raise awareness as an “area for improvement”, while the Child Poverty Action Group reported that many families hadn't received information about the Fund or other ways to maximise their incomes.<sup>364</sup>

99. Last year, the Welsh Government ran the [Claim what's yours campaign](#)<sup>365</sup> to raise awareness of all support available, which was praised by both the Children's and Older People's Commissioners.<sup>366</sup> The Welsh Government is also reviewing how it can simplify and streamline access to its own cash benefits and other support.<sup>367</sup> However, we heard that many claimants found the system complex to navigate,<sup>368</sup> while some felt that many Universal Credit claimants did not realise they had to apply separately for the Discretionary Assistance Fund and other support such as the Welsh Government's Free School Meals and local authorities' Council Tax Reduction Schemes.<sup>369</sup>

100. Paul Neave, Head of Social Welfare Advice and DWP Policy, Welsh Government, told us that staff worked with Jobcentre Plus Work Coaches through a liaison committee to raise awareness of Welsh Government support.<sup>370</sup> He said he “would not say 100% knowledge of all the help and support that is available is held by a Work Coach, but we are making very positive moves towards that figure”.<sup>371</sup>

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361 Welsh Government [COVID-19 in Wales: interactive dashboard](#). Figures published 31 January 2022.

362 Mrs Sarah Miller and Mrs Francesca Bellandi (Financial Inclusion Support Workers at Newport City Council) ([BSW0033](#))

363 Trussell Trust ([BSW0044](#))

364 British Red Cross ([BSW0012](#)) and Child Poverty Action Group ([BSW0009](#))

365 The campaign was run in March 2021 and those responding were helped to claim a total of £651,504 of additional income. The Welsh Government has also run free online training for frontline workers to increase their understanding of social security payments and their ability to encourage their service users to claim their entitlement (Welsh Government ([BSW0036](#)))

366 Welsh Government ([BSW0036](#)). Children's Commissioner for Wales ([BSW0016](#)), and Older People's Commissioner for Wales ([BSW0026](#)).

367 Welsh Government (December 2019), [Welsh Government response](#) to the National Assembly for Wales Equalities, Local Government and Communities Committee Report Benefits in Wales: Options for Better Delivery; National Assembly for Wales Equalities, Local Government and Communities Committee (October 2019), [Benefits in Wales: Options for Better Delivery](#). The Committee had recommended that the Welsh Government needed to establish a “coherent and integrated ‘Welsh benefits system’ for all the means-tested benefits for which it is responsible”. Recommendation 1 p6.

368 See, for example: Citizens Advice Cymru ([BSW0018](#)), Conwy County Borough Council ([BSW0004](#)), and Pobl Group ([BSW0035](#)). See Appendix 1 for the survey findings.

369 See, for example: Conwy County Borough Council ([BSW0004](#)), British Red Cross ([BSW0012](#)), Joseph Rowntree Foundation ([BSW0019](#)), Welsh Revenues and Benefits Managers Group ([BSW0031](#)).

370 Q158

371 Q158

101. In Scotland, the DWP and the Scottish Government have developed a formal toolkit for Work Coaches to signpost people towards Scottish Government schemes administered by Social Security Scotland.<sup>372</sup>

**102. We welcome efforts to improve awareness among claimants of all UK Government, Welsh Government, and local authority support, but written evidence suggests that there is still a long way to go. People requesting help need to feel confident that they have been informed of all the benefits and grants available to them, rather than miss out on any because they didn't know what questions to ask or found the system too complex to navigate. Evidence we have received suggests that the approach taken in Scotland, where the UK Government and the Scottish Government worked together to produce a toolkit for Work Coaches, could prove a useful model.**

103. While we note the positive comments regarding the Welsh Government's response to the pandemic via the Discretionary Assistance Fund, we also heard concerns about the application process for various Welsh Government and local authority grants and allowances. We welcome the fact that the Welsh Government is seeking to streamline their systems and make the system more accessible. Should any of this work require DWP cooperation, then we urge both Governments to work closely in order to deliver the best outcome for claimants.

### ***Joint support for in-work claimants***

104. As noted in paragraph 25, some 39% of Universal Credit claimants are already in work. For such claimants, the issue they face is not entering the workforce, but rather to either find a higher paid job or more hours.<sup>373</sup> In chapter 3, we examined the role of Universal Credit in incentivising progression. In this section, we explore the intersection between reserved and devolved responsibilities in addressing low pay.

105. Just one in six of low-paid workers progress permanently on to higher paid positions.<sup>374</sup> Baroness McGregor-Smith, the In-Work Progression Commissioner, reported in July 2021 that there were a range of reasons preventing progression, "including a lack of skills, logistical challenges, such as a lack of suitable transport or childcare arrangements, as well as confidence and motivational barriers".<sup>375</sup> These barriers cut across both reserved and devolved areas, most notably the UK Government's benefits system and Jobcentre Pluses and the Welsh Government's skills and lifelong learning schemes such as Working Wales and the Flexible Skills Programme.<sup>376</sup>

106. Both Governments told us of the joint work they were already undertaking in this area. The Welsh Government described the delivery of employability and skills training and community employment programmes as examples of successful partnerships with

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372 Scottish Affairs Committee, [Welfare policy in Scotland: UK and Scottish Government Responses to the Committee's Second Report](#), First Special Report of Session 2021–22, HC 790

373 Work and Pensions Committee, September 2021 [Thousands face 'severe hardship' as Minister rejects UK-wide call to keep Universal Credit uplift](#).

374 Social Mobility Commission, October 2017, [The Great Escape? Low pay and progression in the UK's labour market](#), p1. Of all those low paid in 2006, by 2016 only 17% had progressed permanently.

375 In-Work Progression Commissioner, July 2021 [Supporting progression out of low pay: a call to action](#): Executive foreword.

376 In-Work Progression Commissioner, July 2021 [Supporting progression out of low pay: a call to action: Chapter 3](#). Working Wales offers free professional employability and careers advice. Flexible Skills Programmes support employers to improve employees' skills levels.

DWP Wales.<sup>377</sup> The UK Government cited its work with Careers Wales and the Welsh Government’s Regional Skills Partnerships. However, the Commission called for a “major shift” in Jobcentres from focusing largely only on getting people into work to providing in-work progression support.<sup>378</sup> It recommended all working claimants were provided with a “credible in-work offer” and that Jobcentres should become “specialist hubs” for expertise on local labour markets, requiring “close partnership” with local groups such as employers, local authorities and skills providers.<sup>379</sup> The UK Government announced in its Levelling Up White Paper in February that it was taking an “increasing focus” on supporting working claimants to earn more. It is to invest £99m in an In -Work Progression offer, extending Work Coach support to those on low incomes to address barriers to progression. It will also appoint “specialist Progression Champions” to work with employers, local authorities and skills providers, and will set out further details in its response to the In -Work Progression’s Commission.<sup>380</sup> In Wales, this requires the input of both Governments.

**107. 39% of Universal Credit claimants are already in work: the issue for them is not finding a job but finding a higher paid one or more hours. We welcome the UK Government’s commitment to providing claimants with in-work support and look forward to hearing further details about how its Progression Champions will work with employers, local authorities and skills providers. As employment support, local government and skills are devolved, for this to be successful in Wales, the U.K. and Welsh Governments must work closely together.**

### **Basic Income**

108. Universal Basic Income (UBI) describes a range of different proposals where the state provides an income for all citizens, without any conditions attached and regardless of their other resources.<sup>381</sup> A total of 25 candidates who were elected to the Senedd in May 2021’s election signed a pledge, organised by the UBI Lab Network (a pro-UBI campaign group), supporting a UBI trial.

109. In May 2021, the First Minister of Wales, the Rt Hon Mark Drakeford MS announced that the Welsh Government would bring forward a ‘Basic Income’ pilot rather than a universal one. According to Mr Drakeford:

A basic income pilot is one of the specific responsibilities of our new social justice minister. It will have to be carefully designed, it will draw on the experience of attempted pilots in Scotland, but I have a very longstanding interest in basic income. I hope we will be able to mount an experiment here that will test whether the claims that are made for a basic income approach are actually delivered.<sup>382</sup>

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377 Department for Work and Pensions(BSW0051) and Welsh Government (BSW0036)

378 In-Work Progression Commissioner, July 2021 [Supporting progression out of low pay: a call to action: Chapter 2](#)

379 In-Work Progression Commissioner, July 2021 [Supporting progression out of low pay: a call to action. Recommendation 2.1](#)

380 UK Government (2 February 2022), [Levelling Up the United Kingdom White Paper \(publishing.service.gov.uk\)](#) p199

381 P. Loft, S. Kennedy, A. Mackley and F. Hobson (08 October 2020), [The introduction of a universal basic income](#), House of Commons Library: Briefing Paper No. CDP0096, p2.

382 Welsh Government (15 February 2022), [Basic Income for Care Leavers in Wales, pilot announced](#)

110. The Welsh Government is to target the pilot at those leaving care.<sup>383</sup> While Jane Hutt MS told us that there were many who had wanted the pilot to be “possibly be a universal basic income with much broader parameters”, she stressed that the Welsh Government had been clear about what it “can do in terms of our priorities and resources”. She remained confident, however, that a basic income pilot along the lines envisaged by the Welsh Government will be able to “contribute to the global understanding of [...] basic income and what it can do to tackle poverty, and tackle health inequality”.<sup>384</sup>

111. However, we heard a number of concerns about the proposed scope of the Welsh Government’s pilot scheme. Dr Rod Hick of the University of Cardiff and Dr Lee Gregory of the University of Birmingham felt that it “falls far short of universality” and was “an experiment of what the Welsh Government could potentially achieve with enhanced social security powers”.<sup>385</sup>

112. The Welsh Parliament/Senedd Cymru’s (Senedd) Petitions Committee concluded that while the Welsh Government’s scheme could “provide valuable feedback on the potential of such a scheme to improve the support to a group which faces significant challenges”, a three-year pilot of only 250 people “will only offer limited information”. Furthermore, a scheme limited only to care leavers, “will tell us little about universal basic income”. The Committee therefore recommended “a larger sample size would offer more robust results and ensure a greater diversity among recipients”.<sup>386</sup>

113. The Senedd’s Petitions Committee also raised the issue of how participation in the pilot would impact on individual’s tax or benefit entitlements. Arguing that participants “should be no worse off than if they had not participated”, the Committee warned that:

It would undermine the project if participants lost entitlements they currently claim as a direct result of a failure to communicate between the two governments.<sup>387</sup>

114. Notwithstanding these concerns, some of the evidence we received supported the principle of UBI. The Future Generations Commissioner argued that removing the conditions attached to receiving benefits would give people “the opportunity to find meaningful and long-term employment”.<sup>388</sup> Dr Malcolm Torry, Research Fellow, School of Social Policy, University of Bath told us that it would provide a “substantial secure layer of income to every individual and household in a context today in which so little income is secure”.<sup>389</sup> The not-for-profit housing organisation United Welsh thought it would “remove some of the stigma”.<sup>390</sup>

115. However, Anna Coote, Research Fellow of the think tank, the New Economics Foundation, told us that such schemes require “a great deal more money, and that is money that you could be spending on services or, indeed, on green infrastructure or better policing or whatever you feel that you need”.<sup>391</sup> Professor Paul Spicker, Emeritus Professor at

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383 Q167

384 Q171

385 Dr Rod Hick and Dr Lee Gregory ([BSW0028](#))

386 Welsh Parliament Petitions Committee (January 2022), [A UBI Pilot for Wales](#), p12

387 Welsh Parliament Petitions Committee (January 2022), [A UBI Pilot for Wales](#), p6

388 Future Generations Commissioner ([BSW0038](#))

389 Q103

390 United Welsh ([BSW0005](#))

391 Q108

Robert Gordon University, said that he would be “sceptical” that any level of income could be thought of as “adequate for everyone”, arguing that adequacy was “a moving target and it depends on lots of other conditions”.<sup>392</sup> Dr Victoria Winckler, Director of the Bevan Foundation, told us that there was “a question about how you could cope with people with differing needs, people with high housing costs, a lot of children or the costs of disability”.<sup>393</sup>

116. Anvar Sarygulov, Senior Research Fellow at the think tank Bright Blue, suggested that many of UBI’s aims could be met by amending Universal Credit. He argued that:

Do you want to support a particular group of people? You may well be able to do it through Universal Credit by adding a new element to it in the same way there is already a housing, caring and childcare element. Do you want to make it less conditional? If that is your desire, you can modify the conditionality of the Universal Credit system as it stands. Therefore, I think any question about UBI is really a question of, “Why can we not simply modify the Universal Credit system to achieve this goal?”<sup>394</sup>

117. In its written submission to the inquiry, the DWP described UBI as “fundamentally the wrong approach for the UK”. It argued that UBI “does not incentivise work and any practical implementation is likely to be hugely expensive, requiring significant tax increases across the board”.<sup>395</sup> the Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP argued that “all the intellectual firepower that is required and the resource should be better targeted to figure out what we can do for those individuals”.<sup>396</sup>

118. When asked about the potential impact of the pilot on participants entitlements, Andrew Latto, the Deputy Director for Devolution, Pensioner Benefits and Carer’s Allowance Policy Group at the DWP, told us that the department “really need to see in quite a lot of detail—including the legislation—exactly what it is before we can work out how it is going to interact with the reserved benefit and HMRC with the tax system”.<sup>397</sup>

119. The Welsh Government has since published further details of its pilot, announcing in February that it will begin during the 2022/23 financial year and all young people leaving care who turn 18 during a 12-month period will be eligible, amounting to more than 500 young people. Each participant will receive a basic income payment of £1600 per month for 24 months from the month after their 18th birthday.<sup>398</sup> According to the BBC, the payment will be taxed and counted as income by the DWP, thereby affecting participants’ eligibility for the means-tested Universal Credit.<sup>399</sup>

**120. Care-leavers are a vulnerable group and there is a strong case for arguing that they should have enhanced support. However, we note the UK Government’s position—supported by much of the evidence received during this inquiry—that basic income is not the best way of providing that support.**

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392 Q107

393 Q83

394 Q88

395 Department for Work and Pensions([BSW0051](#))

396 Q253

397 Q252

398 Welsh Government (15 February 2022), [Basic Income for Care Leavers in Wales, pilot announced](#)

399 BBC News Online (16 February 2022), [Basic income: Wales pilot offers £1,600 a month to care leavers](#). Accessed 16 February 2022.

121. **We have received a range of concerns regarding the limitations of the pilot and there are also considerable issues concerning how the pilot will affect the benefits of the participants. It is crucial that those considering participating are aware of how it will affect the benefits they receive and the tax they pay. Without this, they are unable to make an informed decision about whether to participate.**

### ***Potential devolution***

122. In the wake of the devolution of some benefits in Scotland, the case for devolution in Wales has attracted some political attention.<sup>400</sup> The Senedd Equality, Local Government and Communities Committee recommended in 2019 that some parts of the social security system should be devolved and, during the course of our inquiry, the Welsh Government and Plaid Cymru signed a Co-operation Agreement, stating their support for the devolution of the “administration” of welfare.<sup>401</sup> The Welsh Government’s Minister for Social Justice, Jane Hutt MS, told us that the policy was about “better delivery”.<sup>402</sup> She argued that it could:

give us the levers and the powers that we need in order to deliver for our citizens and, from your very first point, ensure that we can tackle poverty and inequality and shape our social security based on those provisions, both principles of compassion and fairness.<sup>403</sup>

However, she added that “very careful consideration” would have to be taken as to how any long-term change would be funded.<sup>404</sup>

123. There was a level of support for devolution in the evidence we received. The charity Chwarae Teg supported the devolution of administrative powers to enable Welsh Ministers to manage social security in “a way that works best for the people of Wales”.<sup>405</sup> The charity Disability Advice Project felt devolution would develop a system that “reflects the challenges in Wales. It could be more agile and responsive and provide a holistic approach”.<sup>406</sup> Dr Victoria Winckler, Director of the Bevan Foundation, told us that there was a “strong case” for devolving those parts of the system which “align with devolved responsibilities” such as the housing element of Universal Credit. However, she also warned that it “should not be assumed... that a Welsh Government would do something more generous”.<sup>407</sup>

124. However, much of the evidence we received raised caveats. Dr Mike Brewer, the Deputy Chief Executive of the Resolution Foundation, cautioned that while devolution to Scotland had so far “gone well”, devolution does “have the potential to get complicated and messy, where the two Governments want to do different things and where decisions made by one interact badly with those made by the other”.<sup>408</sup>

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400 The Scotland Act 2016 devolved most disability, industrial injury and carer benefits to the Scottish Parliament. It also has the power to pay Universal Credit twice a month rather than monthly and pay the housing element directly to landlords.

401 Senedd Equality, Local Government and Communities Committee, 2019 [Benefits in Wales: Options for better delivery](#); Welsh Government, November 2021 [The Co-Operation Agreement](#), p10.

402 Q175

403 Q178

404 Q175

405 Chwarae Teg ([BSW0008](#))

406 Disability Advice Project ([BSW0014](#))

407 Qq81 and 90

408 Qq79 and 80

125. Charlotte Pickles also expressed general support for the principle of devolution, however she expressed doubts about the funding of devolved social security policies—especially where they entailed divergence from the UK Government:

We tend to focus on the nice part, which is that you could be more innovative, try more things, be more generous and you could design a system to be more appropriate to the local labour markets that you have in different parts of Wales. All that is great. However, the reality that benefits are very costly things to pay out is bit of a reality check given, as I say, the devolved Governments tend to want to spend more rather than spend less.<sup>409</sup>

126. The Parliamentary Under-Secretary of State and Minister for Welfare Delivery at the DWP, David Rutley MP told us the system was “working well”. He argued that:

Seeking to devolve further matters would, to me, be a big distraction when there are so many other big priorities ahead of us—economic development, healthcare, social care. Let us move forward with them.<sup>410</sup>

127. The DWP highlighted in its written submission that the UK’s “pooled-risk system” could accommodate the varied economic circumstances felt across the UK. It argued that this system had “responded well to the challenges of the pandemic, whose economic effects have been felt everywhere, but even more acutely in some sectors and localities”.<sup>411</sup>

**128. We support the social union and are yet to see evidence that it would be in Wales’ interests to devolve social security. The pandemic has only served to highlight the advantages of a pooled-risk system that can accommodate the varied economic picture across the UK and within Wales itself. We note that there was an element of support for devolution in the written submissions, but this was not universal and was tempered by concerns about the financial implications.**

Motion made, and Question put, That the Chair’s draft Report be read a second time, paragraph by paragraph.—(The Chair)

Amendment proposed, to leave out “Chair’s draft Report” and insert “draft Report proposed by Dr Jamie Wallis”—(Dr Jamie Wallis)

Question put, That the Amendment be made.

The Committee divided.

**Ayes, 2**

**Noes, 3**

Simon Baynes

Geraint Davies

Dr Jamie Wallis

Ruth Jones

Beth Winter

Question accordingly negatived.

Main Question put.

409 Q80

410 Q258

411 Department for Work and Pensions([BSW0051](#))

The Committee divided:

**Ayes, 3**            **Noes, 2**

Geraint Davies   Simon Baynes

Ruth Jones        Dr Jamie Wallis

Beth Winter

Question accordingly agreed to.

With the leave of the Committee, a single Question was put in relation to Paragraphs 1 to 162.

Question put, That Paragraphs 1 to 162 be read and agreed to.

The Committee divided:

**Ayes, 3**            **Noes, 2**

Geraint Davies   Simon Baynes

Ruth Jones        Dr Jamie Wallis

Beth Winter

Paragraphs accordingly agreed to.

Summary read.

Question put, That the Summary stand part of the Report.

The Committee divided:

**Ayes, 3**            **Noes, 2**

Geraint Davies   Simon Baynes

Ruth Jones        Dr Jamie Wallis

Beth Winter

Summary accordingly agreed to.

Motion made, and Question put, That the Report be the Fourth Report of the Committee to the House.

The Committee divided:

**Ayes, 3**            **Noes, 2**

Geraint Davies   Simon Baynes

Ruth Jones        Dr Jamie Wallis

Beth Winter

*Resolved*, That the Report be the Fourth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available (Standing Order No. 134)

### **Adjournment**

Adjourned till Wednesday 16 March at 9.30am.

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Thursday 16 September 2021

**Professor Lisa Scullion**, Professor of Social Policy, University of Salford; **Emma Congreve**, Knowledge Exchange Fellow, Fraser of Allander Institute; **Professor Christina Beatty**, Professor of Applied Economic Geography, Centre for Regional Economic and Social Research, Sheffield Hallam University

[Q1–53](#)

### Thursday 21 October 2021

**Dr Mike Brewer**, Deputy Chief Executive, Resolution Foundation; **Charlotte Pickles**, Director, Reform; **Anvar Sarygulov**, Senior Research Fellow, Bright Blue; **Dr Victoria Winckler**, Director, Bevan Foundation

[Q54–99](#)

### Wednesday 3 November 2021

**Professor Paul Spicker**, Emeritus Professor of Public Policy, Robert Gordon University; **Dr Malcolm Torry**, Visiting Fellow, Institute for Policy Research, University of Bath; **Anna Coote**, Research Fellow, New Economics Foundation; **Jonathan Williams**, Co-founder, UBI Lab Wales

[Q100–153](#)

### Thursday 2 December 2021

**Jane Hutt MS**, Minister for Social Justice, Welsh Government; **Paul Neave**, Head of Social Welfare Advice and DWP Policy, Welsh Government

[Q154–179](#)

**Gwennan Hardy**, Senior Policy Officer, Citizens Advice Cymru; **Alison Corriea**, Welfare Adviser, Cartrefi Conwy Housing Association; **Cordelia Deady**, Welfare Rights Supervisor, Wrexham County Borough Council; **Megan Thomas**, Policy and Research Officer, Disability Wales

[Q180–210](#)

### Wednesday 8 December 2021

**David Rutley MP**, Minister for Welfare Delivery, Department for Work and Pensions; **Sarah Pearson**, Area Director Work and Health Services, Wales and National Employer and Partnership Team, Department for Work and Pensions; **Andrew Latto**, Deputy Director: Devolution, Pensioner Benefits and Carer's Allowance, Department for Work and Pensions; **Geth Williams**, Deputy Director, Wales Office

[Q211–259](#)

## Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

BSW numbers are generated by the evidence processing system and so may not be complete.

- 1 Age Cymru ([BSW0032](#))
- 2 All Wales People First ([BSW0039](#))
- 3 Bevan Foundation ([BSW0025](#))
- 4 Bright Blue ([BSW0024](#))
- 5 British Red Cross ([BSW0012](#))
- 6 Care and Repair Cymru ([BSW0015](#))
- 7 Chartered Institute of Housing Cymru ([BSW0045](#))
- 8 Child Poverty Action Group ([BSW0009](#))
- 9 Children in Wales ([BSW0034](#))
- 10 Children's Commissioner for Wales ([BSW0016](#))
- 11 Chwarae Teg ([BSW0008](#))
- 12 Citizens Advice Cymru ([BSW0018](#))
- 13 Closs-Davies, Dr Sara (Lecturer in Accounting, Bangor Business School, Bangor University); Dr Hefin Gwilym (Lecturer in Social Policy, School of History, Philosophy and Social Sciences, Bangor University); and Dr Dave Beck (Lecturer in Social policy, School of Health and Society, University of Salford) ([BSW0013](#))
- 14 Community Housing Cymru ([BSW0040](#))
- 15 Conwy County Borough Council ([BSW0004](#))
- 16 Covid Realities research project ([BSW0046](#))
- 17 Cymorth Cymru ([BSW0043](#))
- 18 Department for Work and Pensions ([BSW0051](#))
- 19 Disability Advice Project ([BSW0014](#))
- 20 Disability Wales ([BSW0049](#))
- 21 Diverse Cymru ([BSW0010](#))
- 22 Future Generations Commissioner for Wales ([BSW0038](#))
- 23 Hick, Dr Rod (Reader in Social Policy, Cardiff University); and Dr Lee Gregory (Senior Lecturer in Social Policy, University of Birmingham) ([BSW0028](#))
- 24 Joseph Rowntree Foundation ([BSW0019](#))
- 25 Learning Disability Wales; Agoriad Cyf; National Centre for Mental Health (NCMH) at Cardiff University; and ELITE Supported Employment ([BSW0021](#))
- 26 Leonard Cheshire Cymru ([BSW0052](#))
- 27 Millar, Mrs Sarah (Financial Inclusion Support Worker , Newport City Council); and Mrs Francesca Bellandi (Financial Inclusion Support Worker, Newport City Council) ([BSW0033](#))
- 28 MS Society Cymru ([BSW0030](#))
- 29 National Residential Landlords Association ([BSW0029](#))

- 30 Older People's Commissioner for Wales ([BSW0026](#))
- 31 Pobl Group ([BSW0035](#))
- 32 Public Law Project ([BSW0047](#))
- 33 Purple Shoots Business Lending Ltd ([BSW0002](#))
- 34 Samaritans Cymru ([BSW0023](#))
- 35 Save the Children ([BSW0042](#))
- 36 Shelter Cymru ([BSW0048](#))
- 37 Swansea Council ([BSW0020](#))
- 38 Taxpayers' Alliance ([BSW0037](#))
- 39 The Children's Society ([BSW0050](#))
- 40 Trussell Trust ([BSW0044](#))
- 41 United Welsh ([BSW0005](#))
- 42 Wales Fiscal Analysis, Cardiff University ([BSW0003](#))
- 43 Welfare Rights Advisors Cymru ([BSW0027](#))
- 44 Welfare at a (Social) Distance Research Project ([BSW0022](#))
- 45 Welsh Government ([BSW0036](#))
- 46 Welsh Revenues & Benefits Managers Group ([BSW0031](#))
- 47 Welsh Women's Aid ([BSW0017](#))
- 48 Z2K (Zacchaeus 2000 Trust) ([BSW0006](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the publications page of the Committee's website.

### Session 2021–22

Number	Title	Reference
1st Report	Railway Infrastructure in Wales	HC 438
2nd Report	Renewable energy in Wales	HC 439
3rd Report	Implications of the UK-Australia FTA for Wales	HC 481
1st Special Report	Railway infrastructure in Wales: Government response to the Committee's First Report of Session 2021–22	HC 715
2nd Special Report	Renewable energy in Wales	HC 756
3rd Special Report	Implications of the UK/ Australia FTA for Wales: Government response to the Committee's Third Report of Session 2021–22	HC 895

### Session 2019–21

Number	Title	Reference
1st Report	Pre-appointment hearing with the Government's preferred candidate for the Chair of S4C	HC 89
2nd Report	Freeports and Wales	HC 205
3rd Report	The Welsh economy and Covid-19: Interim Report	HC 324
4th Report	Wales and the Shared Prosperity Fund: Priorities for the replacement of EU structural funding	HC 90
5th Report	Brexit and trade: implications for Wales	HC 176
1st Special Report	The Armed Forces and Defence Industry in Wales: Government Response to the Committee's First Report of Session 2019	HC 97
2nd Special Report	City Deals and Growth Deals in Wales: Government Response to the Committee's Second Report of Session 2019	HC 146
3rd Special Report	Freeports and Wales: Government Response to Committee's Second Report of Session 2019–21	HC 667
4th Special Report	Wales and the Shared Prosperity Fund: Priorities for the replacement of EU structural funding: Government response to the Committee's Fourth Report of Session 2019–21	HC 1083

<b>Number</b>	<b>Title</b>	<b>Reference</b>
5th Special Report	Brexit and trade: implications for Wales: Government response to the Committee's Fifth Report of Session 2019–21	HC 1223