Welfare changes this year: discussion of effects and rationales

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Universal Credit (http://www.ifls.org.uk/publications/6147)

• Will integrate 6 of 7 existing means-tested payments into one

• Mechanical impacts on financial work incentives are mixed. But clear potential gains from:
  – Greater clarity/certainty for claimants about what their incentives are
  – Smoothing the transition from out-of-work to in-work benefit receipt

• A major, welcome simplification
  – Why would you want a jumble of overlapping means tests rather than a single integrated one?
  – Clearly with operational challenges, at least in short run
Support for council tax [www.ifs.org.uk/publications/6183]

• Three decisions have been made. I’ll focus on 2 and 3.
  1. To (effectively) cut central government funding for it by 10%
  2. To keep council tax support separate from UC
  3. To localise it

• Decision 2 creates very tricky issues re how CTS and UC will interact
  – Re-introduces potential for overlapping means tests and extremely weak work incentives that UC would otherwise have eliminated

• Decision 3 passes this problem on to local authorities
  – Allowing each LA to have a different CTS system also undermines the principle of simplicity behind UC
Housing Benefit: cuts for ‘under-occupying’ social sector tenants (if working-age)

• Potential rationales:
  1. Better use of social housing stock
  2. Equity between private and social sector tenants
  3. Saving money (note tradeoff with 1); strengthening work incentives

• Actual effects highly uncertain. Many possible responses, including:
  – Social landlords use different allocation rules
  – Tenants moving
  – Composition of new builds, e.g. more 1-bed properties

• Should be monitored closely
• Alternatives? Put the direct cost on social landlords?
Housing Benefit: index LHA rates in different areas to national prices (not local rents)

- Breaks link with current rents...
- ...but maintains link with historic rents (as they were in 2012)

- To extent that HB is allowed to vary across the country, the relevant local rent measure should be current and not historic

- Geographic variation in HB entitlements to become increasingly arbitrary over time