



Department
for Work &
Pensions

Minister for Welfare Reform
4th Floor
Caxton House
Tothill Street
LONDON
SW1H 9DA

0207 340 4000

www.dwp.gov.uk

ministers@dwp.gsi.gov.uk

Paul Gray CB
Chair of the Social Security Advisory
Committee
5th Floor
Caxton House
Tothill Street
London
SW1H 9DA

9 July 2014

Dear Paul,

**SOCIAL SECURITY ADVISORY COMMITTEE STUDY ON THE
CUMULATIVE IMPACT OF WELFARE REFORM**

Thank you for sending me a copy of the Committee's recent study "The Cumulative Impact of Welfare Reform: a Commentary". I thought that it would be helpful to respond on behalf of the Government.

I am grateful to the Committee for the considered approach they have taken to this report. In particular I am grateful for their recognition that 'the Government's programme of welfare reform is... intended to bring about longer-term positive impacts' [for claimants] (commentary, page 30); and that 'This is part of a broad based strategy that aims to address perceived problems in the social security system: high expenditure and poor work incentives' (commentary, page 6). However, we are unable to accept the Committee's specific recommendations.

We agree that cumulative impact analysis can be useful in some cases, and indeed Her Majesty's Treasury already produces regular analysis of the impact of all coalition changes, including welfare reform.

Unfortunately it is not possible to break those results down to smaller sub-groups of the population accurately. In particular, the amount of information on families required to do this accurately would be prohibitive; and we do not consider that results can be reliably disaggregated for disabled people, a view shared by the authoritative Institute for Fiscal Studies.

More generally, we believe that cumulative impact analysis should be treated with some caution, as it will be based upon a comparison with the previous Government's policies, which were unaffordable.

It is, however, worth looking at the impact of some of our reforms on real terms spending. For example, our spending on Disability Living Allowance (DLA) / Personal Independence Payment (PIP) for working age people has risen by £1.4bn in real terms since 2010. The overall spending on main disability benefits for working age – DLA and PIP will be higher in every year to 2016-17 than it was in 2009-10 (real terms). Caseloads had been increasing by around 2-3% per year until the introduction of PIP in 2013-14 when it was broadly flat, it is expected to reduce thereafter, but spending per head has risen because of a continuing trend towards higher-value combinations of mobility and care components of DLA. PIP has not yet had a significant impact, but based on latest forecasts, it is expected to lead to a flattening-off in spending per person, rather than a fall, over the next few years. Similarly, while spending on incapacity benefits has fallen in line with the fall in caseloads (a trend which began before the change of Government), spend per head has been broadly flat.

To take another example, although there has been much commentary on the Government's reforms to housing benefits, it is important to note that this has mainly involved bringing spending under control, rather than cutting it significantly. Spend per head has essentially flattened out since the election.

In conclusion, I would like to reiterate that the Government expects its welfare reforms to have a long-term positive impact, helping to get more people into work by making work pay and providing greater support for those who cannot work by targeting resources more effectively.

Yours sincerely

David

Lord Freud

Minister for Welfare Reform