

Spending Review 2020: IFS analysis





Tom Waters

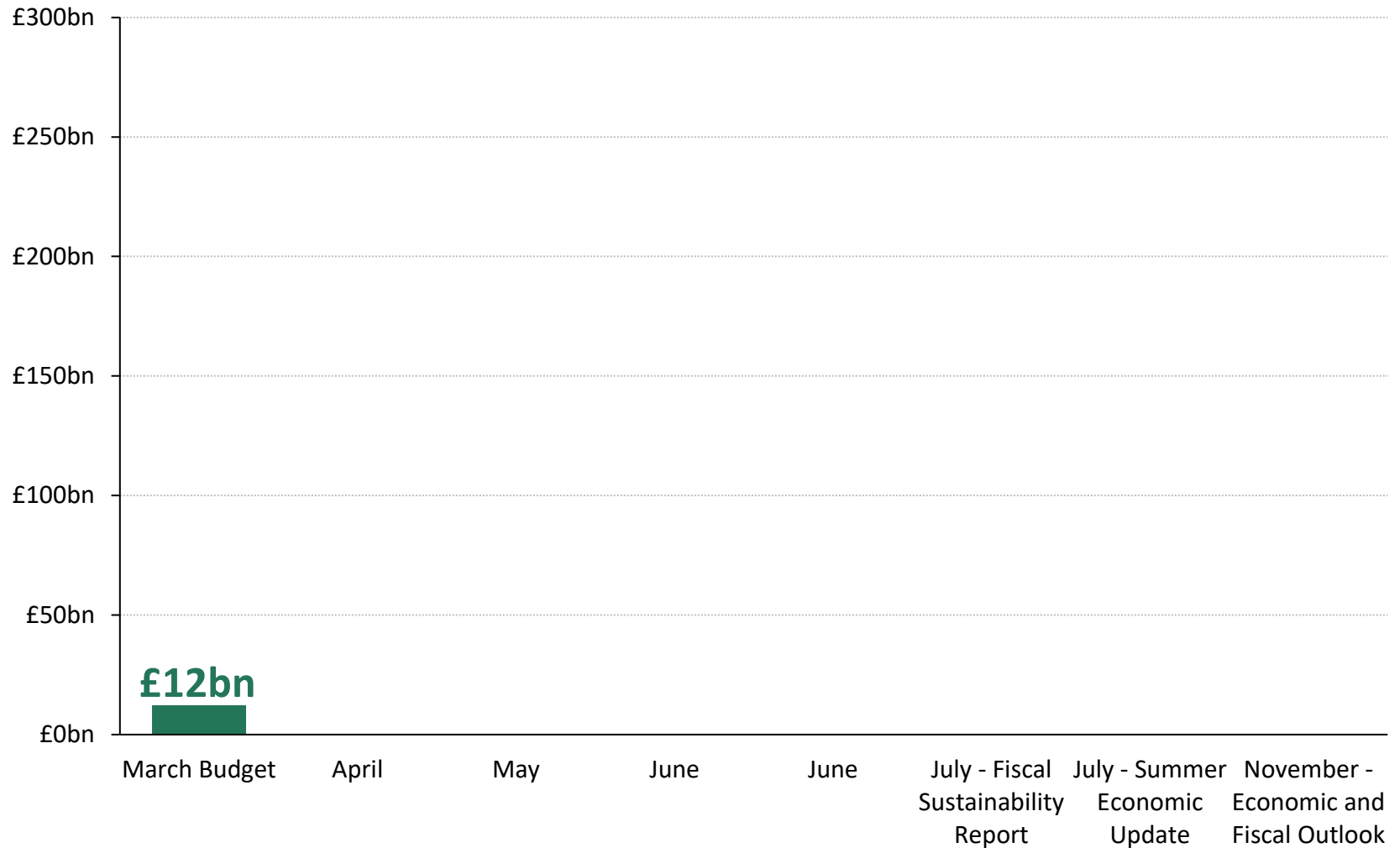
26 November 2020

@TheIFS

Welfare and the National Living Wage

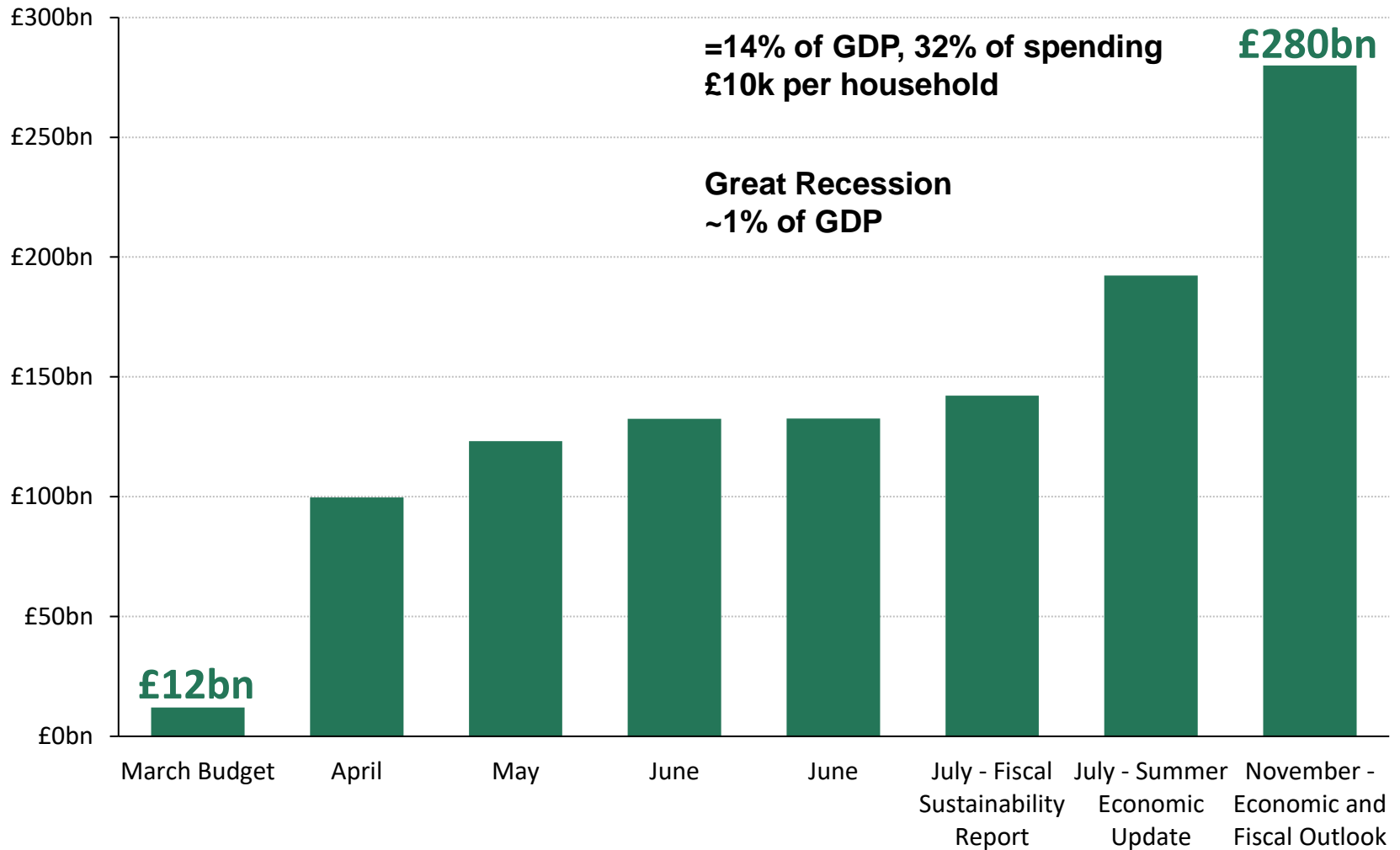
Cost of the policy response

2020-21



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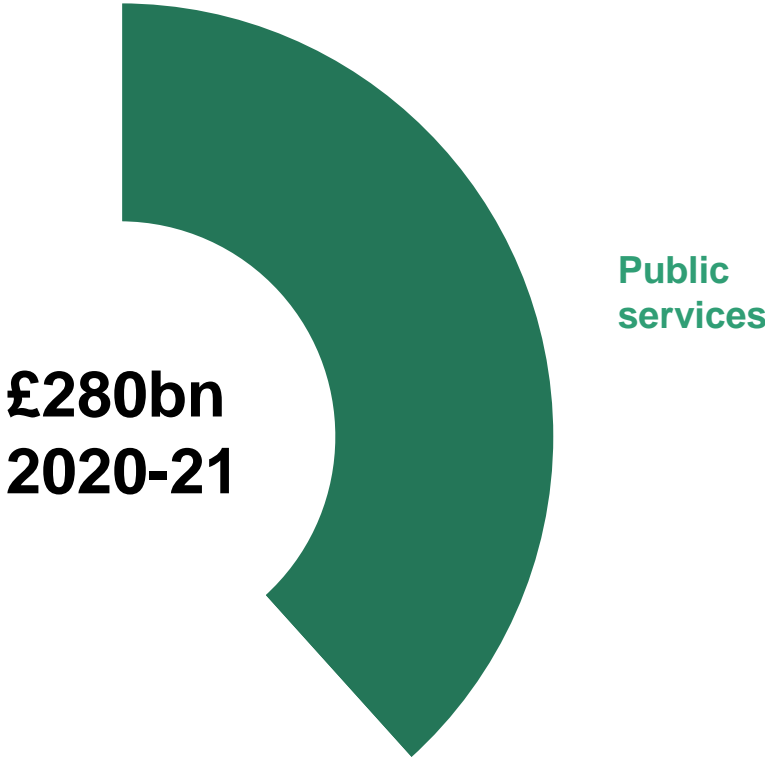


Where's all the money going?

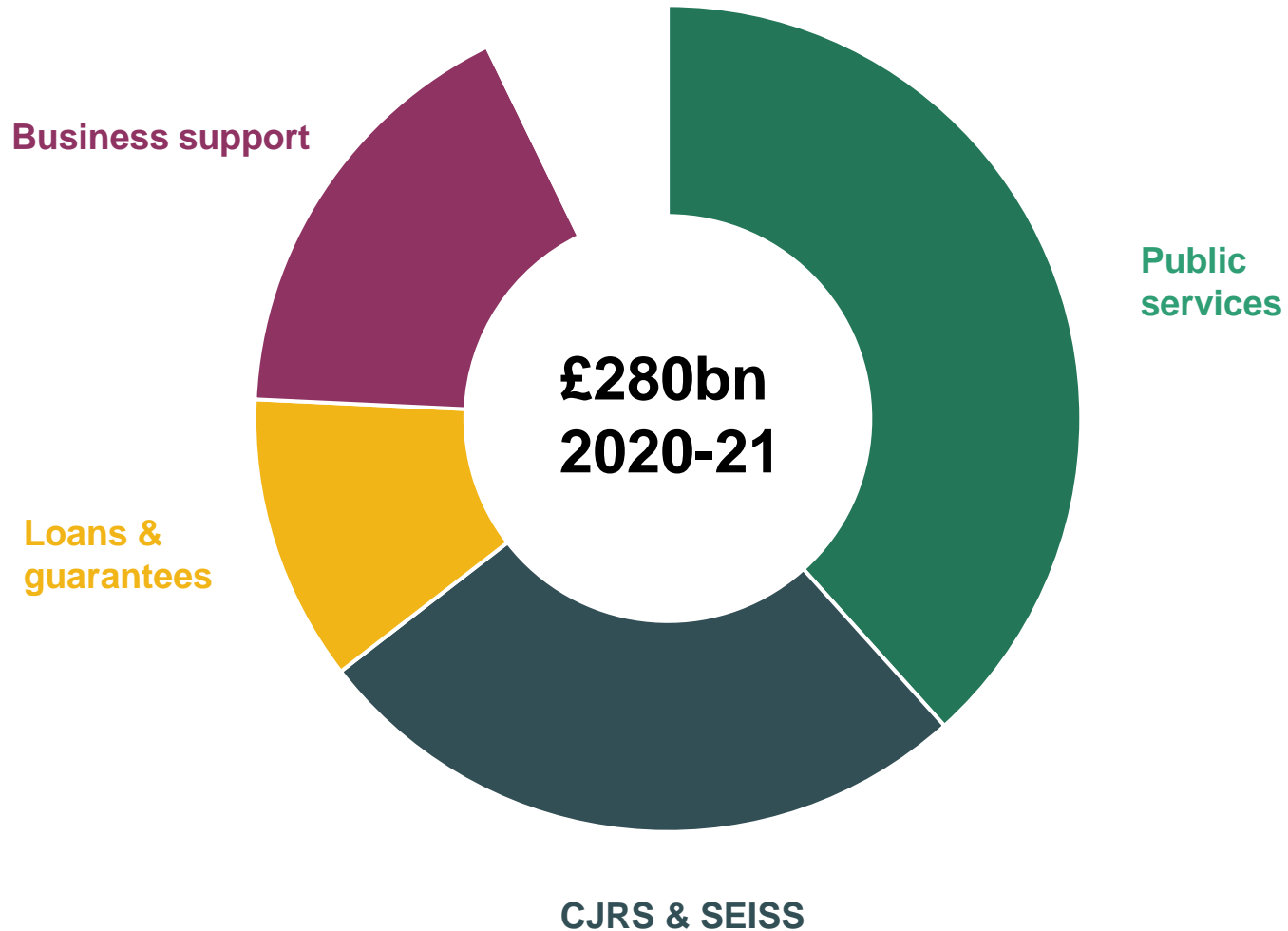


£280bn
2020-21

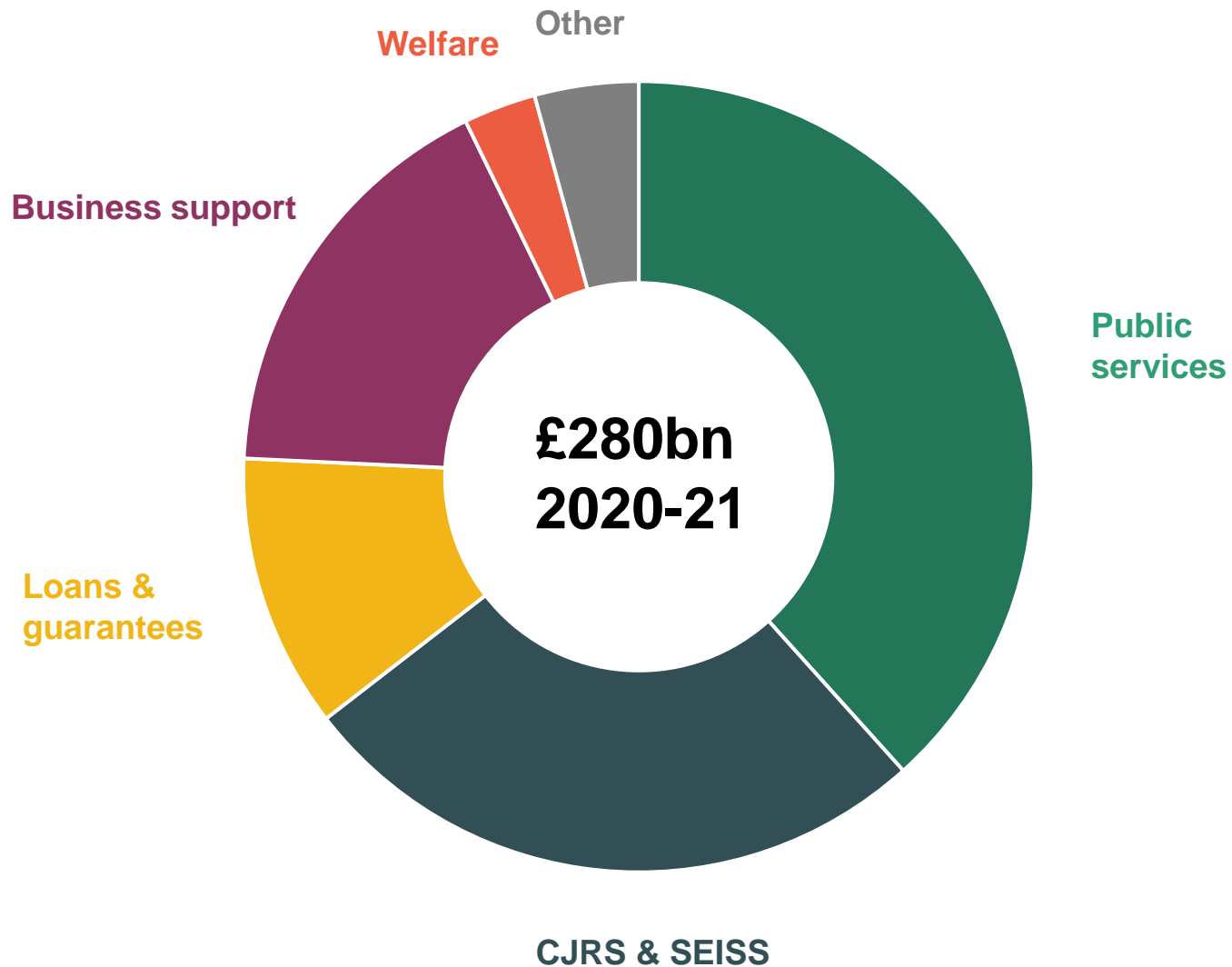
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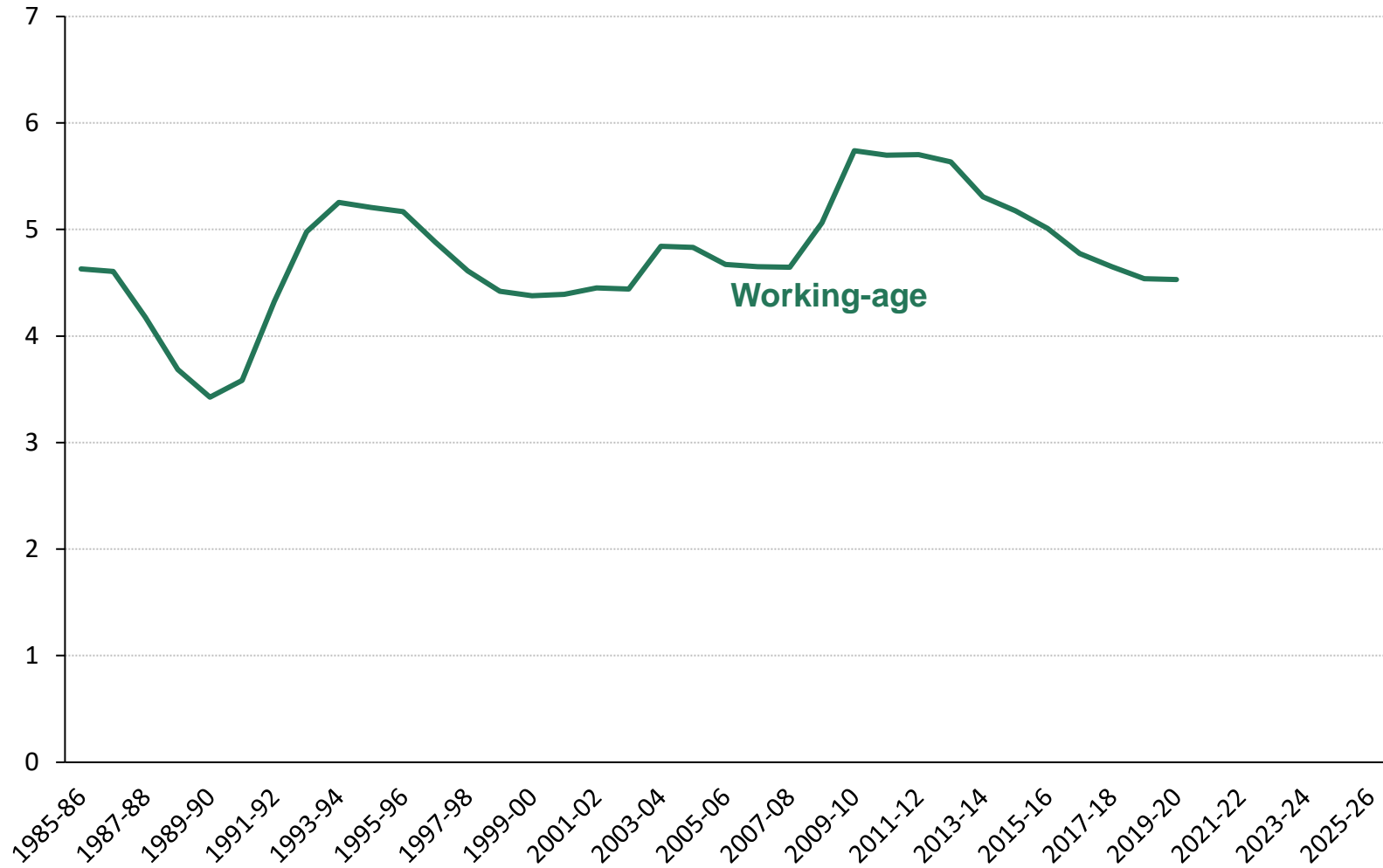


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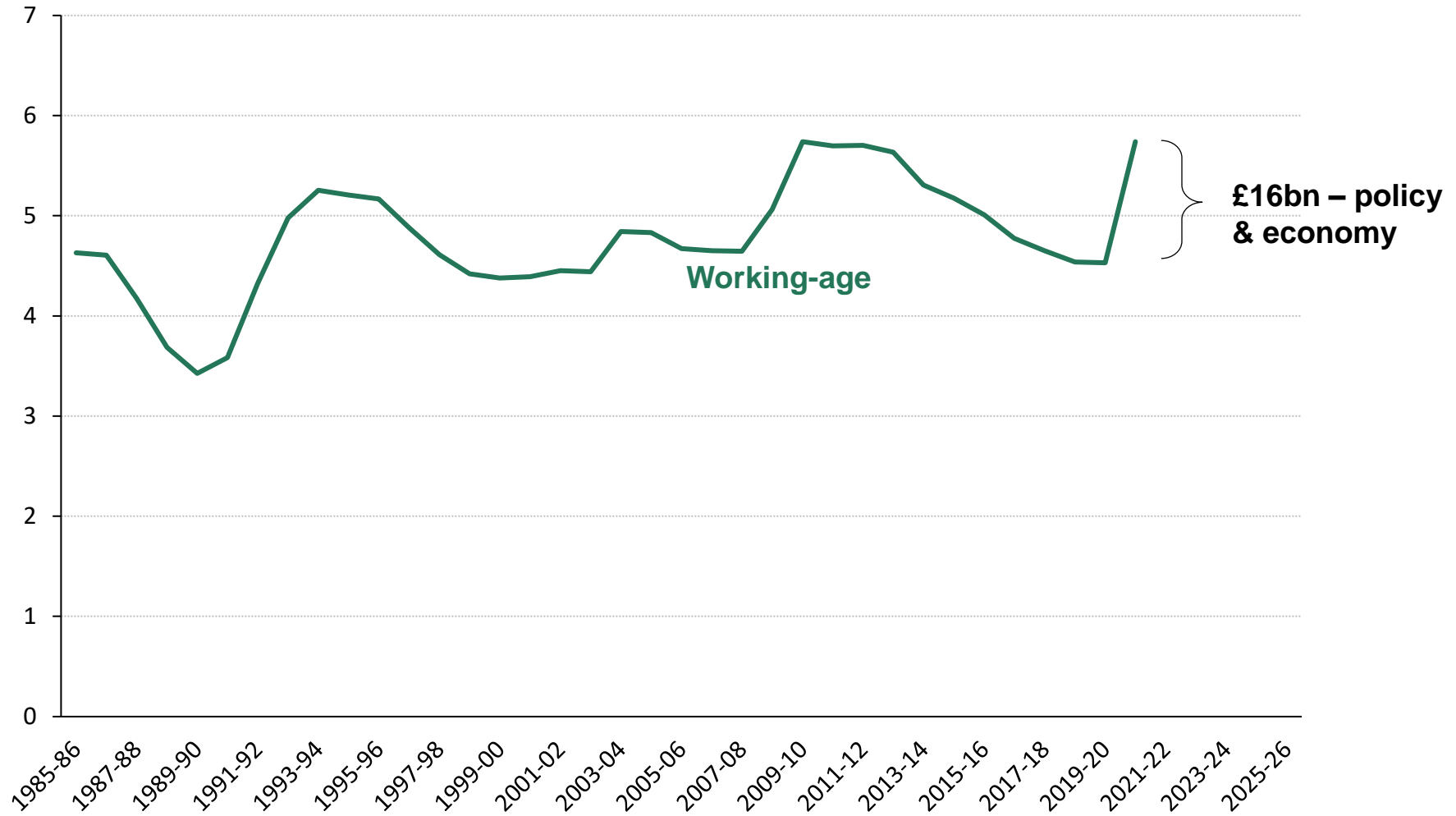
Benefit spending

Percent of GDP



Benefit spending

Percent of GDP



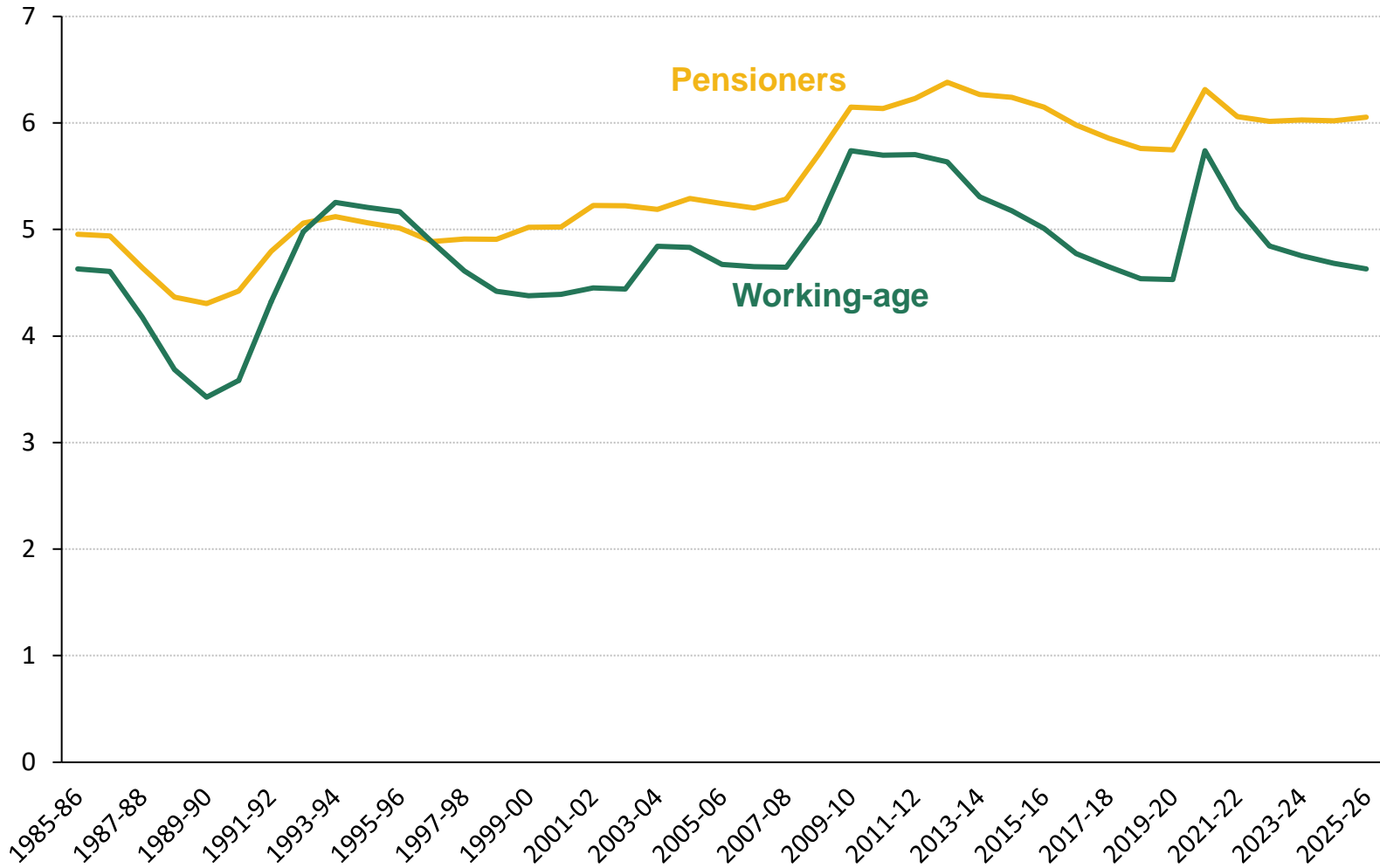
Benefit spending

Percent of GDP



Benefit spending

Percent of GDP



Plan still for temporary UC increase to be temporary



- Back in March government announced temporary £20 pw increase in Universal Credit (and Working Tax Credit)
- Benefits 6m families by £1,000 p.a.
- No reference to this yesterday
- Current plans – **expires at the end of March 2021**, implying large overnight cash losses (13% of ben. entitlement for UC claimants)

Housing benefit to be (re-)disconnected from local rents



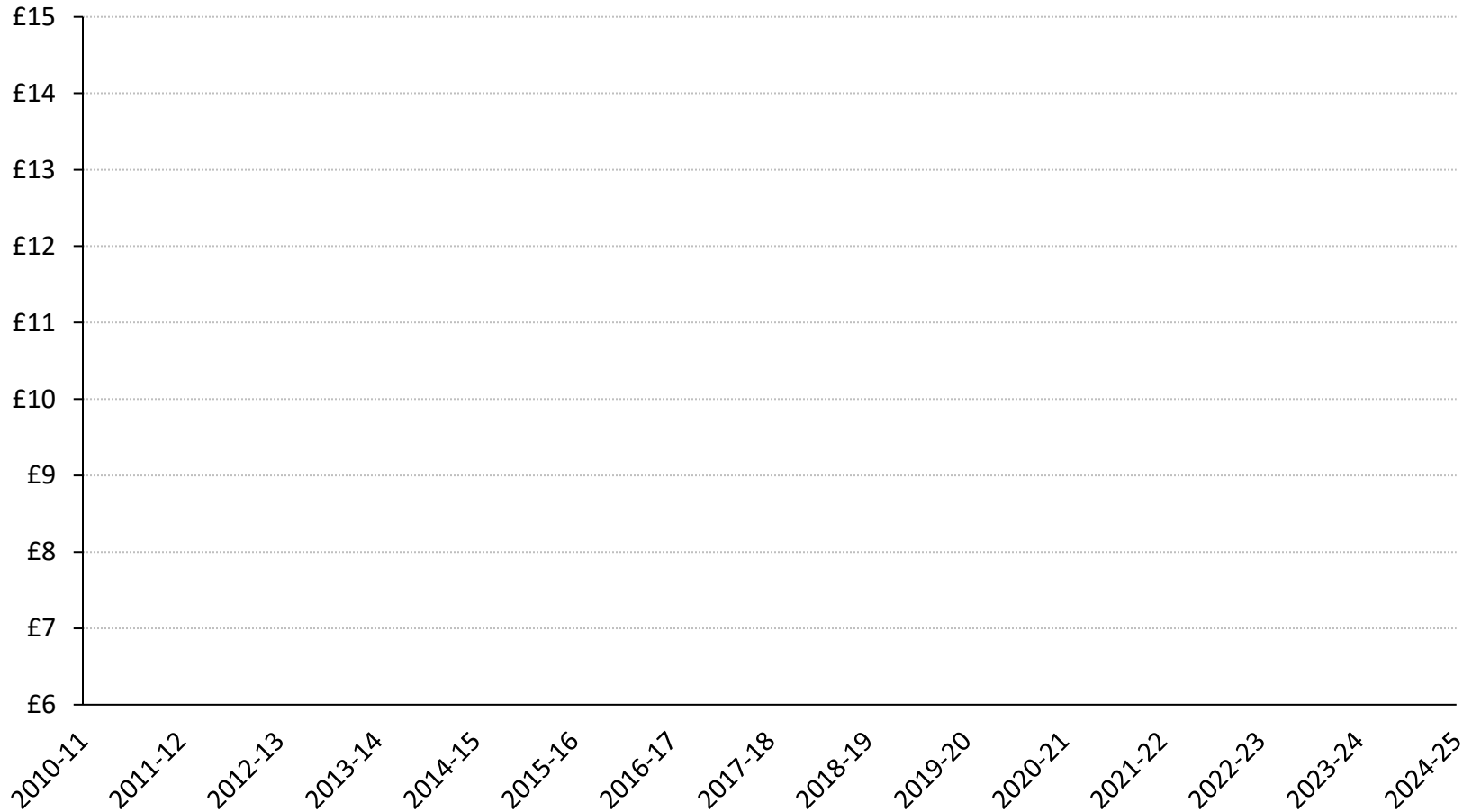
- In March, max housing benefit for private renters temporarily increased to cover cheapest 30% of properties in their local area
- Yesterday: freeze these max amounts in cash terms indefinitely

Two important effects

1. As rents rise, share of properties claimants can afford dwindles
 2. Support you can get related to rents in your local area in 2019
- Bizarre outcomes: some high rent areas get less support than some in low rent ones

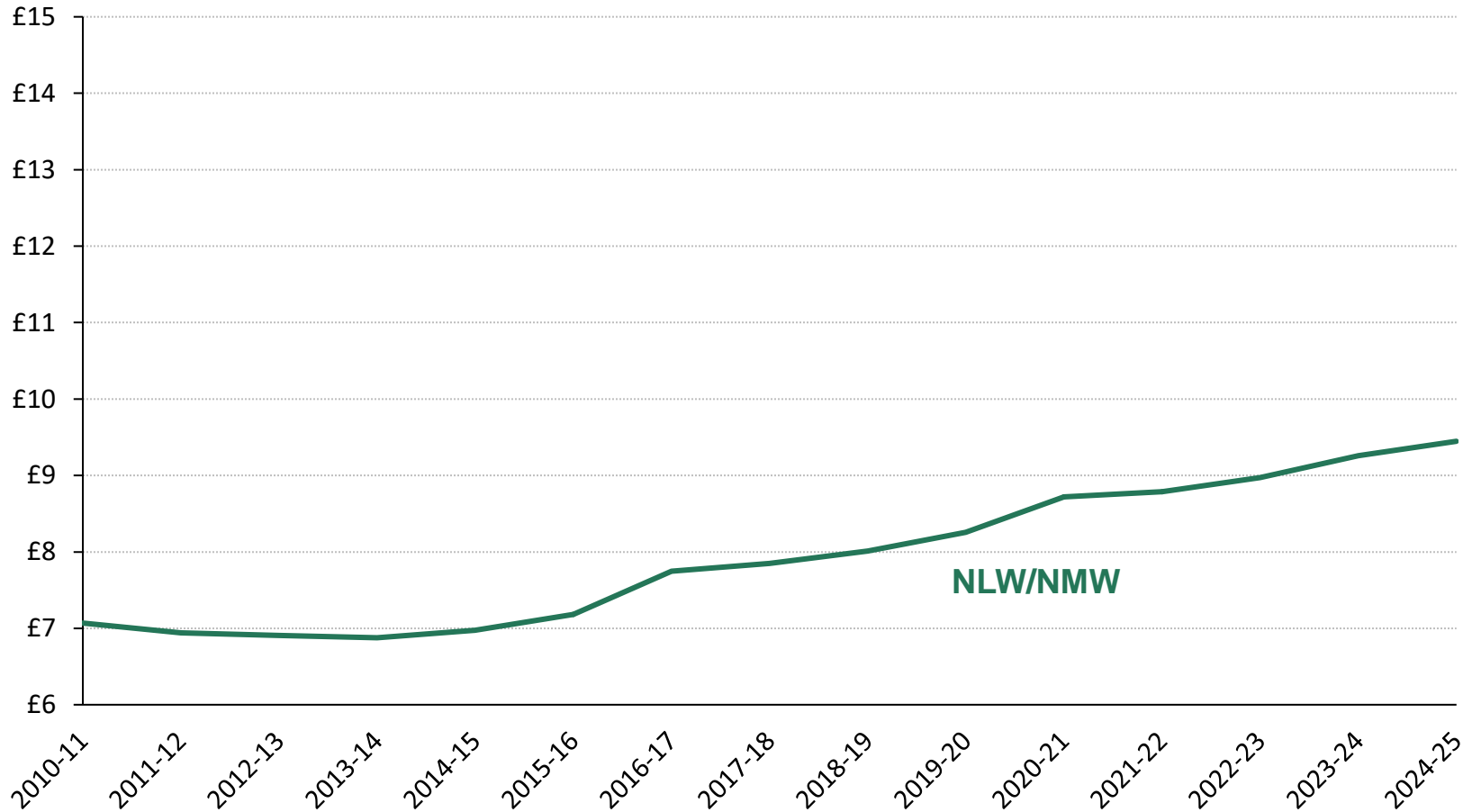
National Living Wage – small rise in rate, growing reach

2020-21 prices



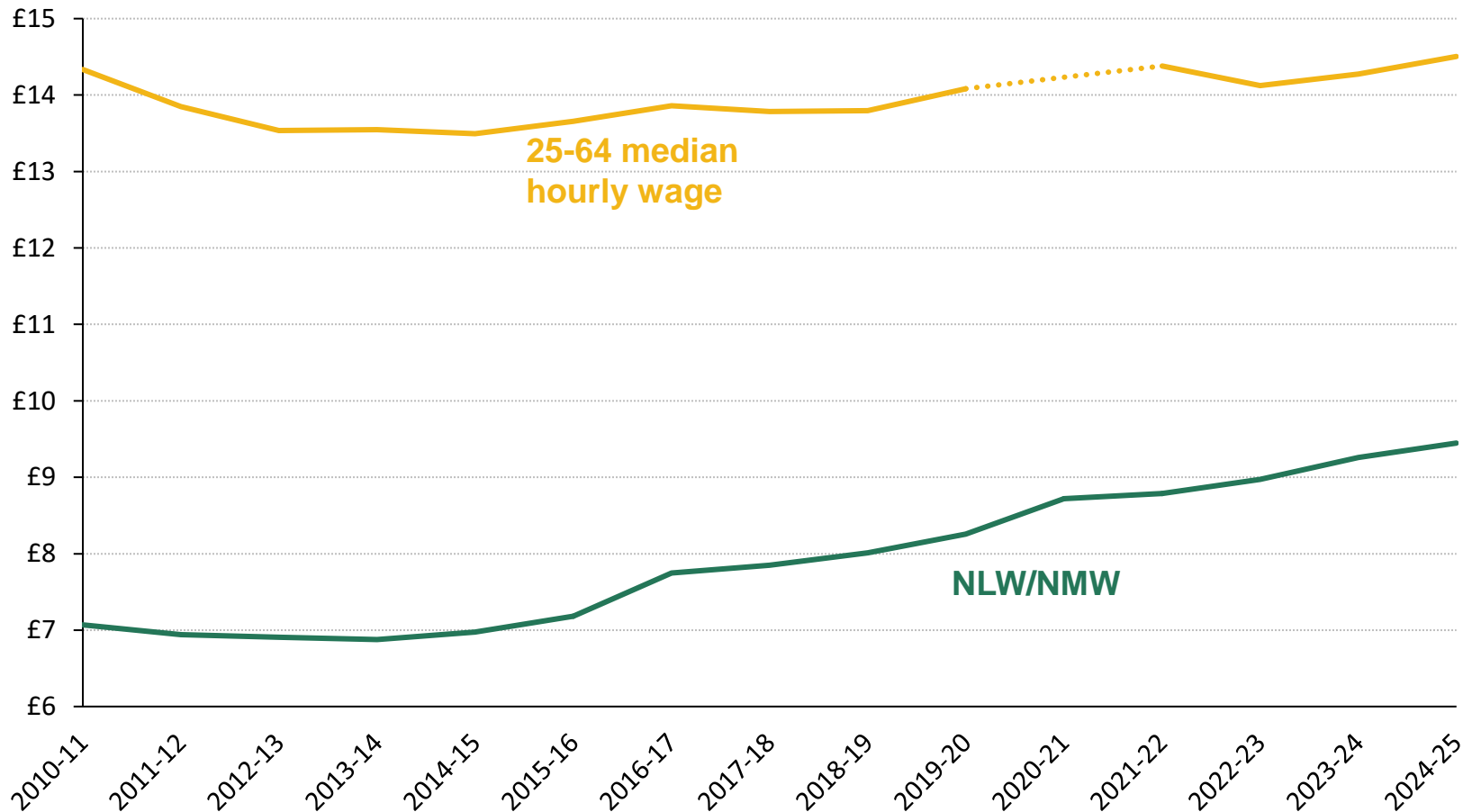
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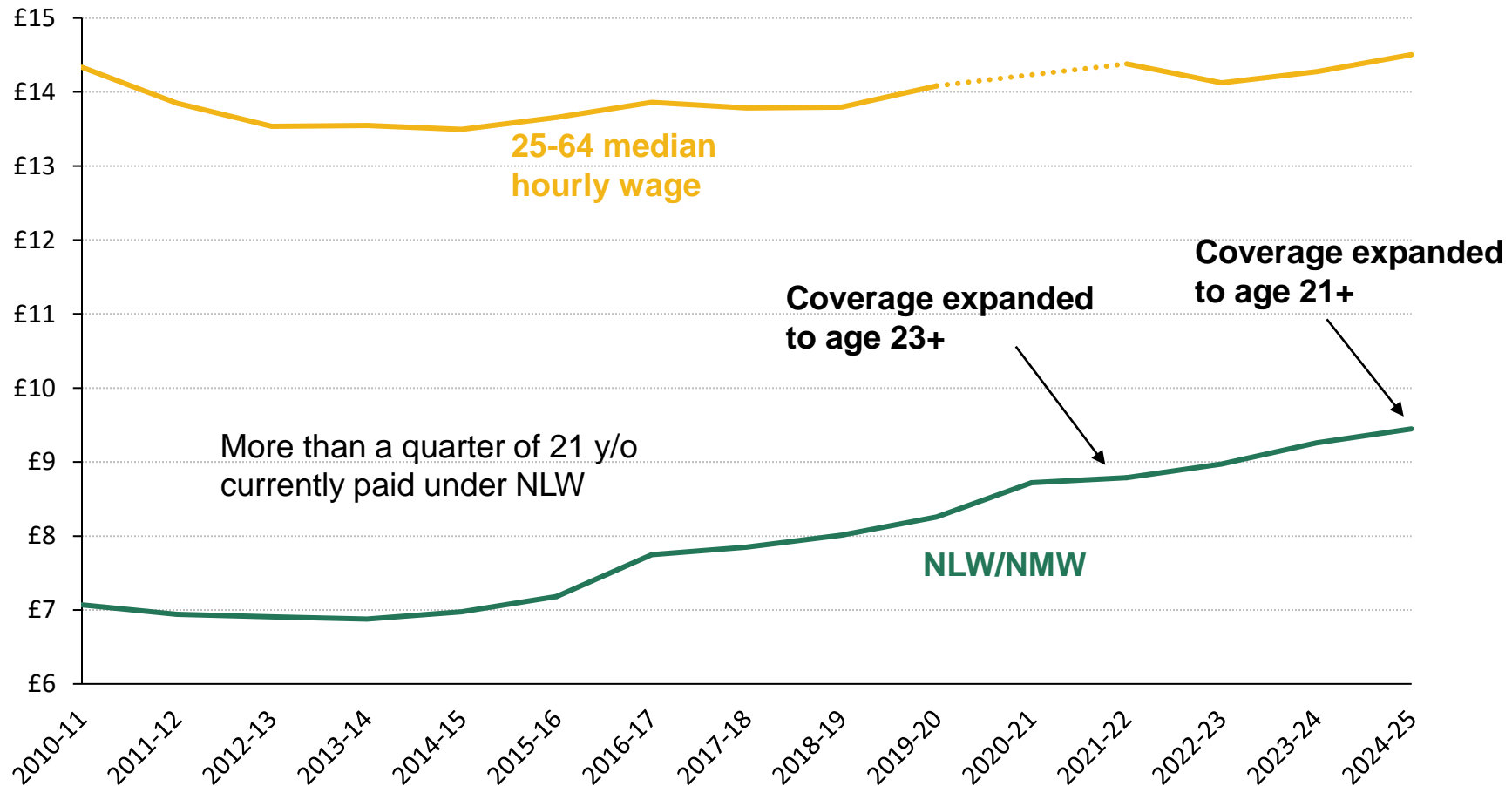
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Conclusion



- Crisis has revealed shortcomings of the welfare system
- The government has papered over this with new policies like furlough & temporary welfare expansions
- In the long term need more systematic thinking about the design of the system – and in the short term on specific choices in Universal Credit and housing benefit