



Institute for
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Welfare changes this year: discussion of effects and rationales

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Universal Credit (<http://www.ifs.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