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Where next for welfare policy?

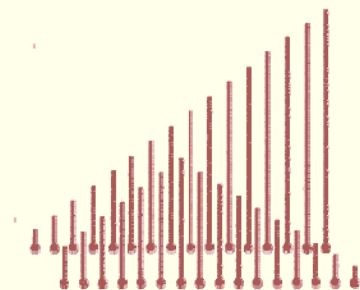
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February 2015

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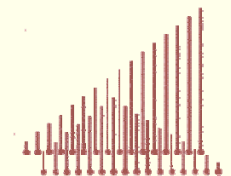
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The Coalition's record

- Continuity: lone parent conditionality (broadly successful), ESA/WCA (disaster)
- Retrenchment: benefit uprating changes, benefit cap, bedroom tax
- Reform: Universal Credit, DLA to PIP: early stages



The WCA fiasco

Figure 2.1: National Statistics to August 2014 and early estimates of numbers in working age ESA/IB client group: September 2014 to December 2014

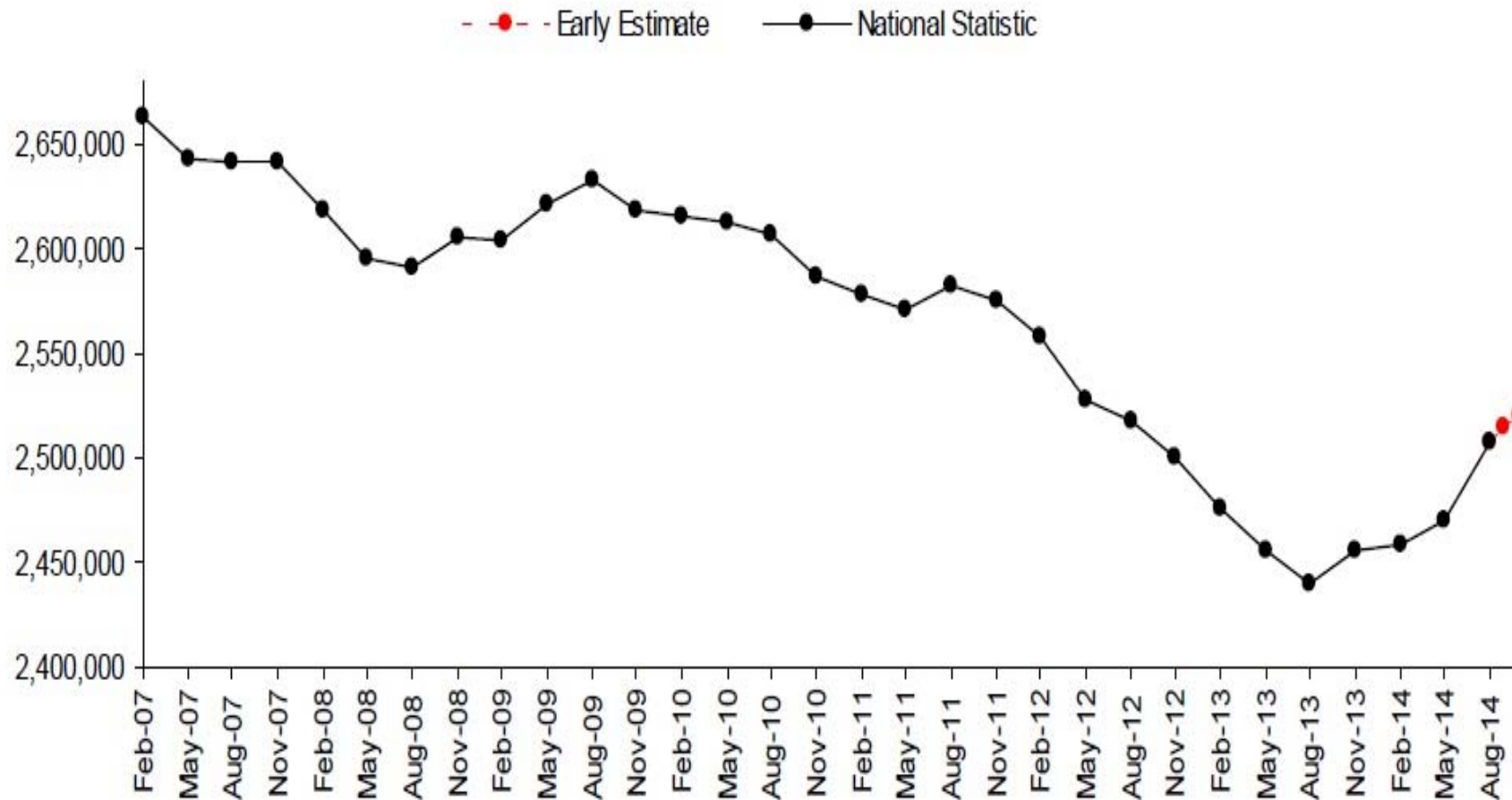
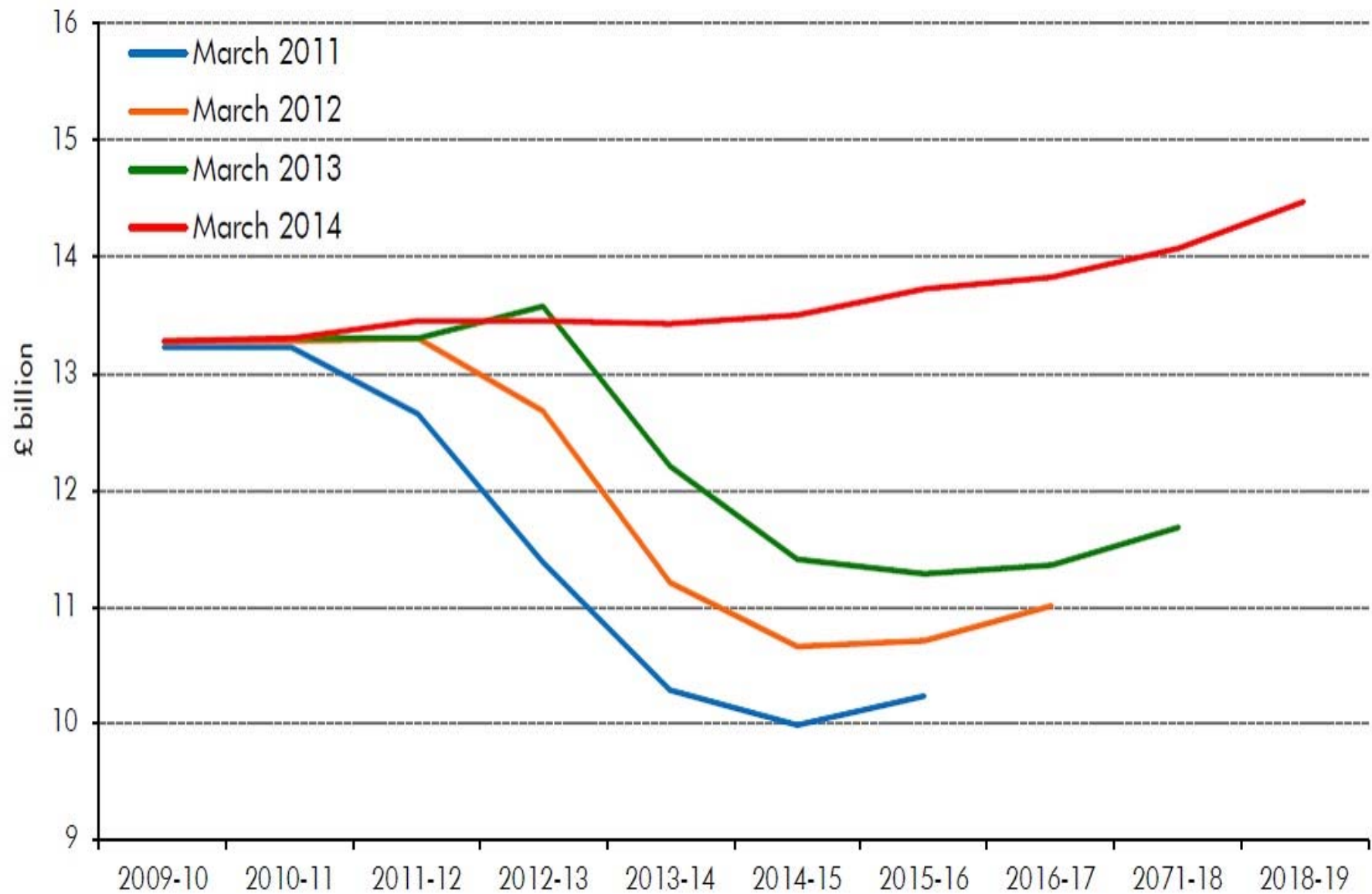


Chart 4.5: Successive OBR incapacity benefits forecasts since March 2011

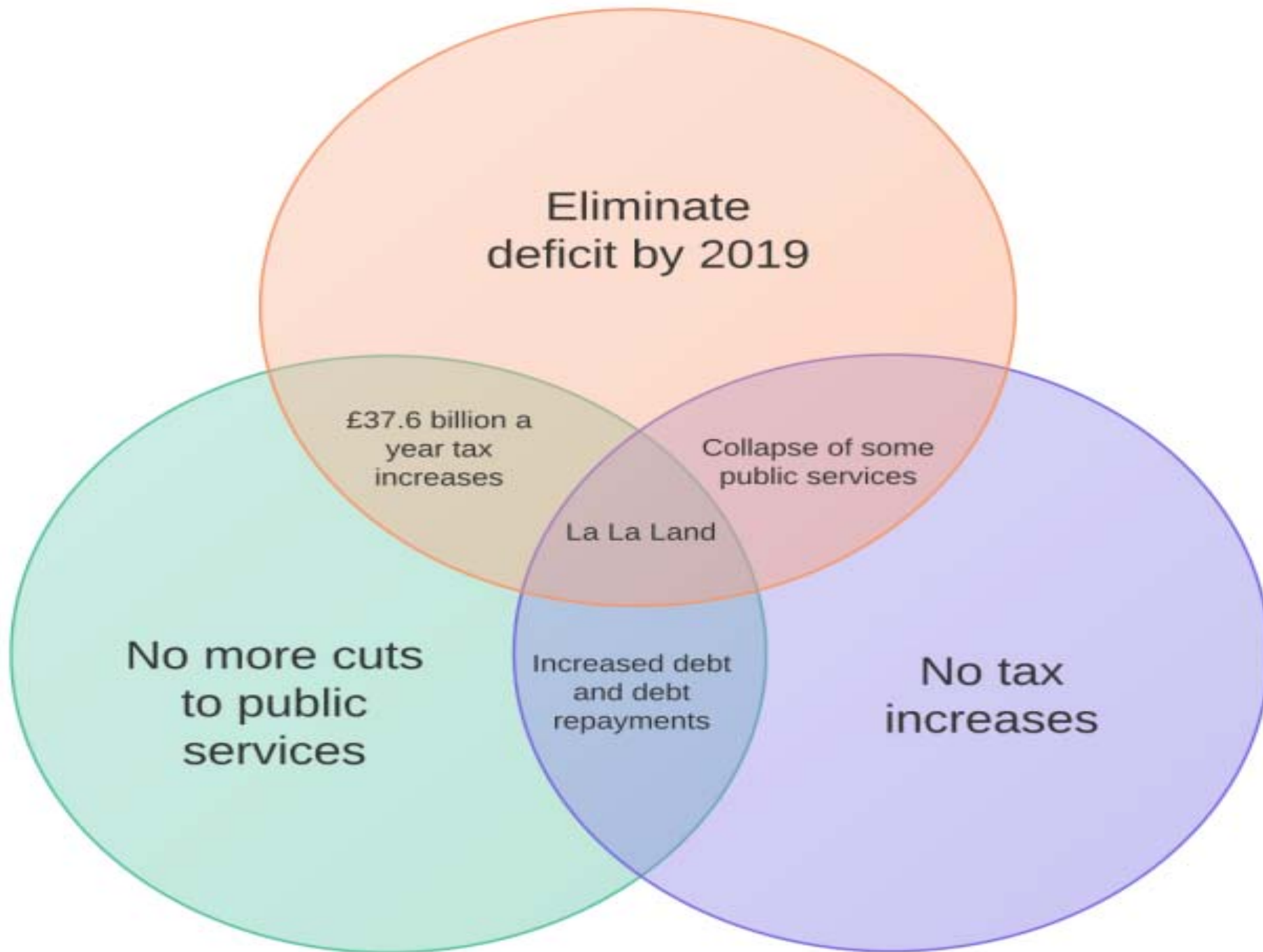


Source: DWP, OBR

Squeezing the balloon

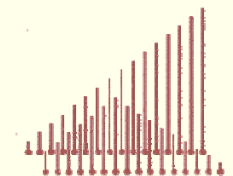
Table 1. Successive forecasts of social security and tax credit expenditure excluding Council Tax Benefit^(a)

£bn (cash)	Pre- budget 2010	Autumn Statement 2010	Autumn Statement 2011	Autumn Statement 2012	Autumn Statement 2014
2010–11	188.2	188.4	188.7		
2011–12	195.0	195.2	197.1	197.2	
2012–13	200.4	198.6	205.7	205.5	
2013–14	207.4	198.4	207.6	207.7	206.7
2014–15	216.8	203.2	212.0	212.1	215.0



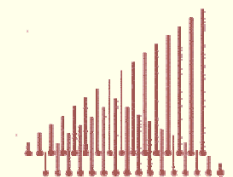
Immediate policy choices

- Savings: more retrenchment or biting the bullet?
- Universal Credit: sunk costs & the Macbeth problem
- Incapacity/disability benefits: shore up current system or radical redesign
- Housing benefit
- Welfare to work: localism without money?



Longer term issues

- Pensions: (fiscal) affordability vs. adequacy
- Immigration
- Health sector productivity/demand
- The political economy of working age benefit spend



OBR central scenario 2: an insurance company (no army)

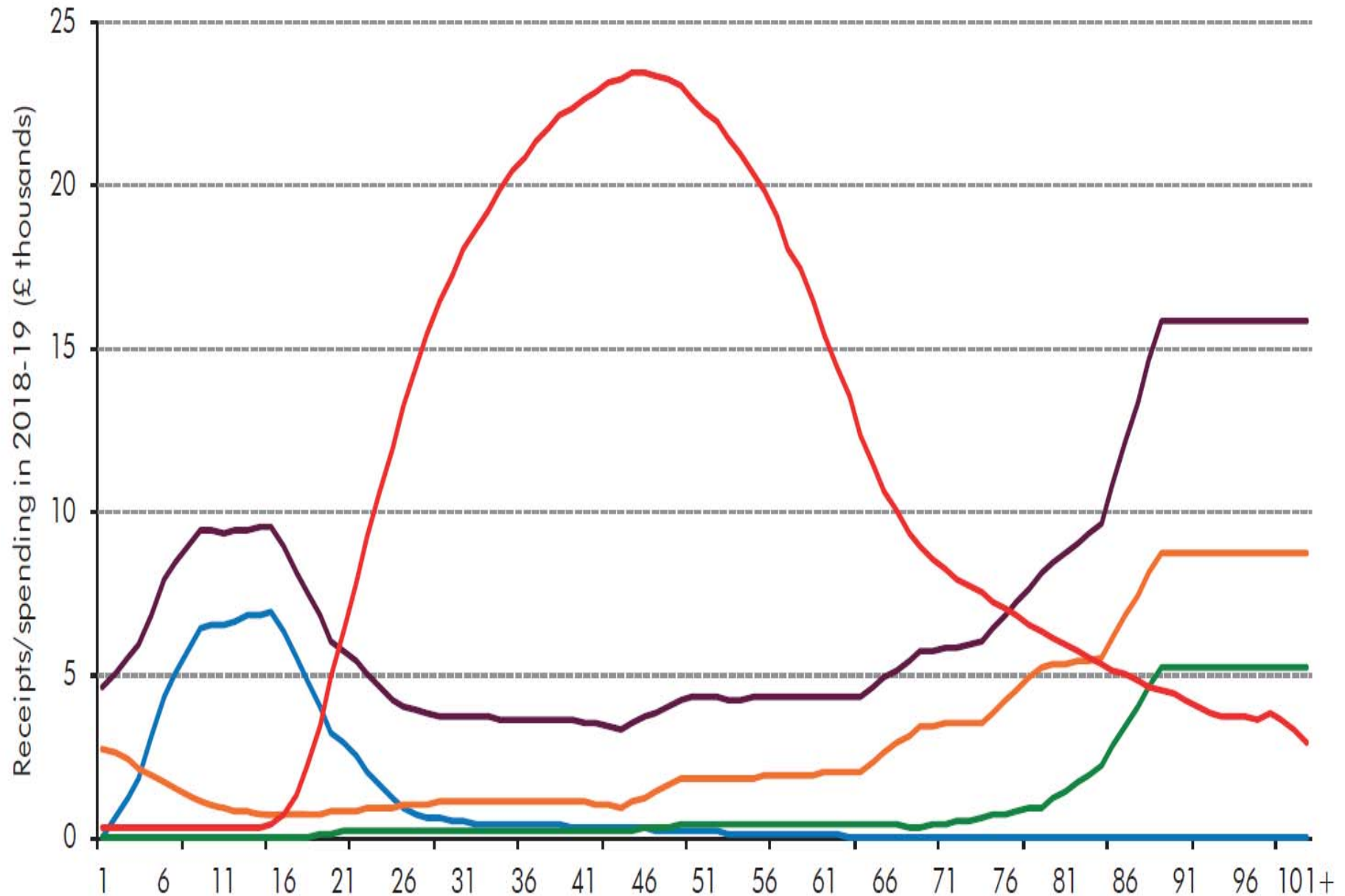
Table 3.7: Non-interest spending projections

	Per cent of GDP							
	Estimate ¹		FSR Projection					
	2013-14	2018-19	2020-21	2023-24	2033-34	2043-44	2053-54	2063-64
Health	7.9	6.4	6.5	6.7	7.5	8.0	8.4	8.5
Long-term care	1.2	1.2	1.4	1.4	1.7	2.0	2.2	2.3
Education	5.3	4.3	4.3	4.4	4.3	4.2	4.2	4.2
State pensions	5.8	5.5	5.4	5.7	6.7	7.4	7.6	7.9
Pensioner benefits ²	1.0	0.8	0.8	0.8	0.9	1.0	1.0	0.9
Public service pensions	2.2	2.2	2.1	2.1	1.9	1.6	1.4	1.2
Total age-related spending	23.3	20.4	20.6	21.2	23.0	24.2	24.8	25.1
Other welfare benefits ²	5.8	5.2	5.3	5.3	5.2	5.2	5.3	5.3
Other spending ²	11.4	8.6	8.7	8.5	8.5	8.5	8.7	8.7
Spending³	40.5	34.3	34.5	35.0	36.7	37.9	38.8	39.1

¹ Spending consistent with the March 2014 *Economic and fiscal outlook*.

² Last year's pensioner and welfare benefits projections included council tax benefit. This has now been devolved to local authorities, and so is excluded from our benefits projections, and is now implicitly included in 'other spending'.

Chart 3.6: Representative profiles for tax and public services spending



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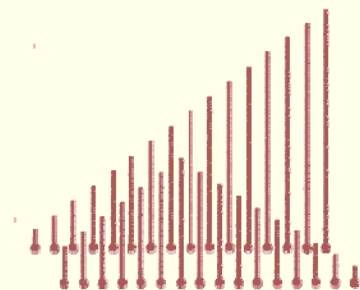
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