

The image shows the entrance to a Jobcentre Plus office. A large green sign with the text 'jobcentreplus' in white and yellow is mounted above the glass doors. The doors are dark-framed and reflect the street scene. A person wearing a blue jacket and a grey cap is walking past the entrance from left to right, slightly blurred. Inside the office, some posters and signs are visible on the walls.

jobcentreplus

# Welfare Reform Bill

Parliamentary Briefing: Second Reading, 9 March 2011

## Full Fact

Full Fact is an independent, non-profit organisation that campaigns for more accurate and informed public debate. We work with politicians, journalists, experts and the public to stop inaccurate claims being made and spread; to make sure reliable information is available and mistakes are corrected, not vilified

Public debate on welfare and benefits suffers from a particularly high incidence of misinformation. This briefing highlights some of the common problems that have marred this discourse, and points Members towards reliable sources of information, in the hope that mistakes made by media outlets are not repeated in Parliament.

Full Fact is happy to provide MPs with neutral factchecks of any information that they receive in the course of this debate. For more information, please email [team@fullfact.org](mailto:team@fullfact.org)

Full Fact trustees: Rt. Hon. Lord Peter Archer; Hon. Michael Samuel; Baroness Julia Neuberger; John Lloyd; Professor Jean Seaton

## Welfare 1997-2010

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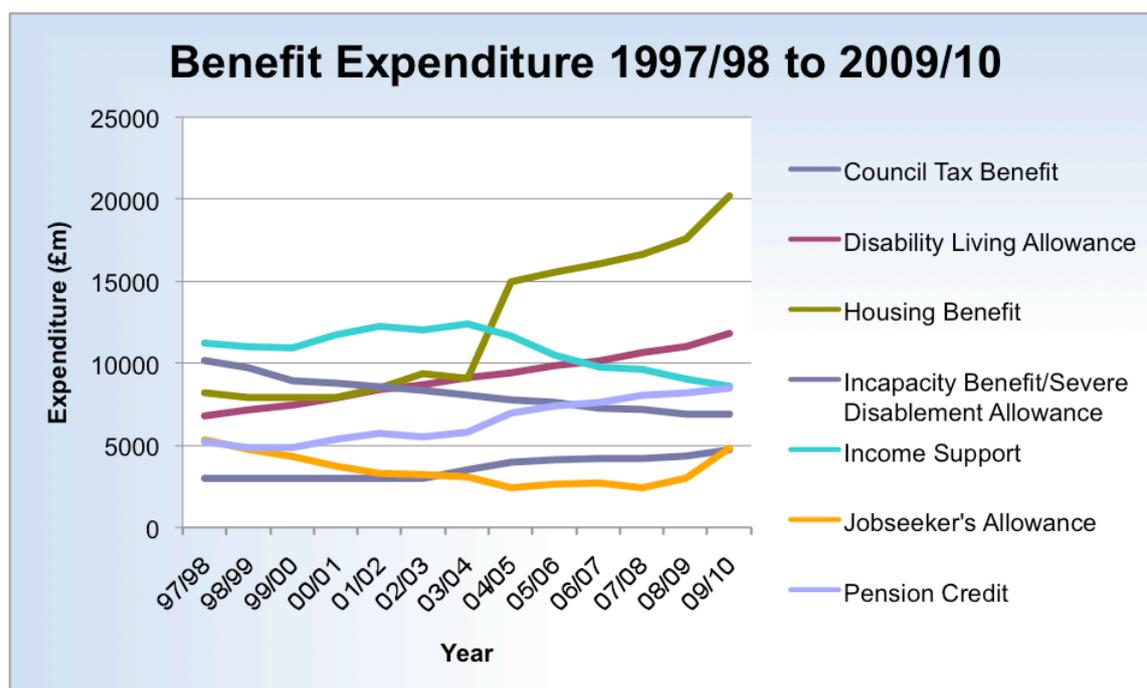
### Overview

The previous Government oversaw a number of changes to the benefit system, introducing Working Tax Credit in 1999, Child Tax Credit and Pension Credit in 2003, and creating the Employment and Support Allowance in 2007. These all had an impact on the administration of benefits in the UK.

### Benefit Expenditure

In real terms (2010/11 prices), total annual expenditure on benefits rose under the previous Government from £128 billion in 1997/98 to £152 billion in 2009/10. The Coalition Government forecasts that this will fall slightly over the course of the Parliament, with an estimated £149 billion due to be spent on benefits in 2014/15.

As a share of the UK's GDP however benefit expenditure has remained fairly steady since 1997, accounting for 11 per cent in both 97/98 and in 09/10. Indeed prior to the recession, the share had fallen to 9 per cent.



Source: DWP Benefit Expenditure tables, June Budget 2010

### International Comparisons

According to the OECD's [Social Expenditure database](#), the UK has the 15<sup>th</sup> highest expenditure on welfare amongst the 35 nations in the survey. However as this calculation includes health spending, once the cost of the NHS is removed, the UK places much lower on this list.

	Old-age and survivors	Sickness/Health care	Disability	Family/Children	Unemployment	Housing and social exclusion	Total benefits
EU 27	:	:	:	:	:	:	:
EU 25	2.3	3.7	1.7	2.1	0.9	4.1	2.6
EU 15	1.9	3.6	1.7	2.0	0.9	4.2	2.5
EA 15	2.2	2.8	1.1	1.8	1.2	5.1	2.3
BE	5.2	5.1	-2.1	0.2	4.3	5.6	4.1
BG	:	:	:	:	:	:	:
CZ	3.9	4.4	5.8	2.1	2.7	2.6	4.0
DK	2.3	3.5	6.2	2.4	-3.9	-0.1	2.4
DE	0.5	-0.1	-0.5	-0.1	-3.4	10.2	0.2
EE (2)	7.8	7.4	14.5	8.2	1.8	-8.9	7.8
IE	11.7	10.2	10.5	11.6	6.0	7.1	10.3
EL	5.7	6.5	4.7	1.9	0.1	2.1	5.1
ES	3.4	5.7	3.4	7.5	6.1	10.8	4.7
FR	3.0	3.7	3.6	2.0	2.3	1.5	3.0
IT	1.6	3.5	1.9	5.2	5.3	9.3	2.3
CY	6.7	6.6	10.3	17.7	4.8	8.2	7.6
LV	2.0	16.0	4.4	5.8	5.4	5.8	5.8
LT	4.8	7.3	10.2	6.3	6.9	-6.1	6.0
LU (3)	5.0	6.4	6.2	6.8	14.1	19.1	6.4
HU	7.8	8.2	7.5	7.2	2.7	3.8	7.5
MT	4.2	2.9	4.6	-3.3	8.4	6.0	3.4
NL	3.2	5.0	-1.8	7.7	3.3	5.3	3.6
AT	2.2	1.9	-0.8	1.5	4.9	8.1	2.0
PL	5.2	4.1	-3.5	1.1	-3.5	6.6	3.4
PT	6.3	3.0	0.4	3.7	11.7	0.7	4.6
RO	9.6	16.8	9.8	8.7	-6.8	35.5	11.0
SI	3.1	3.9	2.0	1.8	-2.6	10.7	3.1
SK	4.6	-0.7	3.6	-1.0	-4.2	-8.1	1.3
FI	4.4	5.1	1.9	2.1	0.0	2.1	3.4
SE	3.4	2.4	5.5	4.6	-1.3	-0.3	3.1
UK	1.9	7.3	2.0	1.4	-0.4	3.1	3.4
IS	6.2	4.5	8.7	11.0	7.1	6.4	6.6
NO	3.6	2.5	5.8	2.8	-4.0	4.0	3.3
CH	1.8	3.6	3.9	2.2	8.3	2.5	2.8

According to [Eurostat](#), between 2000 and 2006 UK benefit expenditure grew by an average of 3.4 per cent per year, above the EU average of 2.5 per cent. Again however, the majority of this is accounted for by annual growth in the NHS budget of 7.3 per cent. Annual growth in benefits for older people, families, unemployment and housing was lower than the EU average, and only disability benefit expenditure grew at a faster rate.

### Incapacity Benefit/Employment and Support Allowance

As Incapacity Benefit claimants are reassessed for eligibility for the new Employment and Support Allowance, there has been much written in the press about the proportion of those that are “fit to work”. Results from DWP’s pilot assessment schemes in Burnley and Aberdeen have found that 29.6 per cent of claimants were fit to work, 31.3 per cent were granted ESA unconditionally, with the remaining 39 per cent placed in the Work Related Activity Group. This group can include hospital in-patients, cancer patients and those with chronic renal failure, and **should not be conflated with those found fit to work immediately**. Furthermore, the figures do not account for unsuccessful applicants who subsequently appealed, over a third of whom saw the decision overturned.

**The following press reports are inaccurate:**

“94% of incapacity claimants CAN work.” **Daily Mail, 26 January 2011**

“Nearly seven out of 10 incapacity benefit claimants were found to be fit for work.” **Daily Express, 11 February 2011**

“More than two thirds of those currently claiming incapacity benefits are fit for work.” **Daily Telegraph, 11 February 2011**

“A SHOCKING 1.8 million people claiming incapacity benefit are FIT for work, figures reveal today.” **The Sun, 11 February 2011**

## Key data sources

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**Work and Pensions Longitudinal Study (DWP & HMRC):** Since 2004 individuals' employment records, income data and benefits history have fed into the WPLS. This data is largely used to provide DWP with management information, however some figures have been published by the Department in support of its ad hoc analyses.

([http://research.dwp.gov.uk/asd/longitudinal\\_study/index.php?page=ic\\_longitudinal\\_study](http://research.dwp.gov.uk/asd/longitudinal_study/index.php?page=ic_longitudinal_study))

**DWP ad hoc analysis:** Following a campaign by Full Fact, DWP now publishes the management information and previously unpublished statistics that inform Departmental press releases. These figures cover all areas of the Department's operations.

([http://research.dwp.gov.uk/asd/index.php?page=adhoc\\_analysis](http://research.dwp.gov.uk/asd/index.php?page=adhoc_analysis))

**Benefits Expenditure Tables (DWP):** Contains breakdowns of real terms benefit expenditure by type since 1991/2 published alongside Budgets (with older data covering 1948/49-1991/2); total benefit expenditure by Parliamentary constituency and local authority; and benefit expenditure forecasts.

(<http://research.dwp.gov.uk/asd/asd4/index.php?page=expenditure>)

**Fraud and Error in the Benefit System (DWP):** Details underpayments and overpayments made in the benefits system due to customer fraud, customer error and official error since 2005. For data relating specifically to DLA, see **Fraud, Error and Incorrectness in Disability Living Allowance (DWP)**.

([http://research.dwp.gov.uk/asd/asd2/index.php?page=fraud\\_error](http://research.dwp.gov.uk/asd/asd2/index.php?page=fraud_error))

### Fraud and Error

Approximately £5.2 billion is lost each year due to overpayments in benefits and tax credits; £3.1 billion through the former and £2.1 billion through the latter. However of this, the majority is accounted for by official and customer error (£3.8 billion), with fraud costing the taxpayer £1.5 billion. In addition, £1.3 billion is underpaid through error.

**It is inaccurate to claim that fraud costs the UK £5.2 billion.**

E.g. "Nor will fraud in the benefit system be tolerated anymore. We estimate that £5 billion is being lost this way each year." **George Osborne, Spending Review statement, 20 October 2010.**

"Benefit fraud costs the country £5.2 billion a year." **The Sun, 25 February 2011**

**Income Related Benefits Estimates of Take-up (DWP):** Annual estimates of the caseload for Income Support, Pension Credit, Housing Benefit, Council Tax Benefit and income-based Jobseeker's Allowance since 1990.

(<http://research.dwp.gov.uk/asd/index.php?page=irb>)

**Tax Benefit Model (DWP):** Show impact of various tax, National Insurance, benefits and tax credits models on households with different incomes.

(<http://research.dwp.gov.uk/asd/index.php?page=tbmt>)

**Quarterly Statistical Summary (DWP):** Regular updates on all DWP administered benefits, including ESA, Income Support, Council Tax Benefit and Housing Benefit.

([http://research.dwp.gov.uk/asd/index.php?page=statistical\\_summaries](http://research.dwp.gov.uk/asd/index.php?page=statistical_summaries))

## Housing Benefit

In November 2010 the Government announced plans to limit the amount that could be claimed in Local Housing Allowance to a maximum of £400 per week. In 2009/10 £19.98 billion was paid in Housing Benefit to 4.8 million recipients; in 1997/98 the total spent was £11.18 billion with 4.6 million claiming the benefit.

In light of the forthcoming changes, some have claimed that Housing Benefit recipients will not be able to afford to live in certain cities. Full Fact sent Freedom of Information requests to all 33 London Boroughs after it was suggested that some were already booking accommodation to house those required to move. We found that no such accommodation had been booked.

Consequently, claims such as the following appear to be inaccurate:

“In London alone councils... are already booking the bed-and-breakfast accommodation.” **Ed Miliband. PMOs. 22 October 2010**

**Personal Tax Credits (HMRC):** Details the number of awards and total expenditure on Child Tax Credits and Working Tax Credits since 2003.

(<http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm>)

**Child Benefit Statistics (HMRC):** Provides geographical breakdowns of the number of children eligible for Child Benefit, family size of claimants, and size of payments since 2003. Quarterly reporting between 2003 and 2007 was subsequently suspended due to data quality issues.

([http://www.hmrc.gov.uk/stats/child\\_benefit/menu.htm](http://www.hmrc.gov.uk/stats/child_benefit/menu.htm))

**Labour Force Survey/Annual Survey of Hourly Earnings (ONS):** Data on employment and income, broken down by various criteria, including age, sex and location. The LFS provides the best source for (un)employment figures, whilst ASHE is the better option for earnings data.

(<http://www.statistics.gov.uk/statbase/product.asp?vlnk=1944>)