

Office for
**Budget
Responsibility**

Welfare trends report 2022

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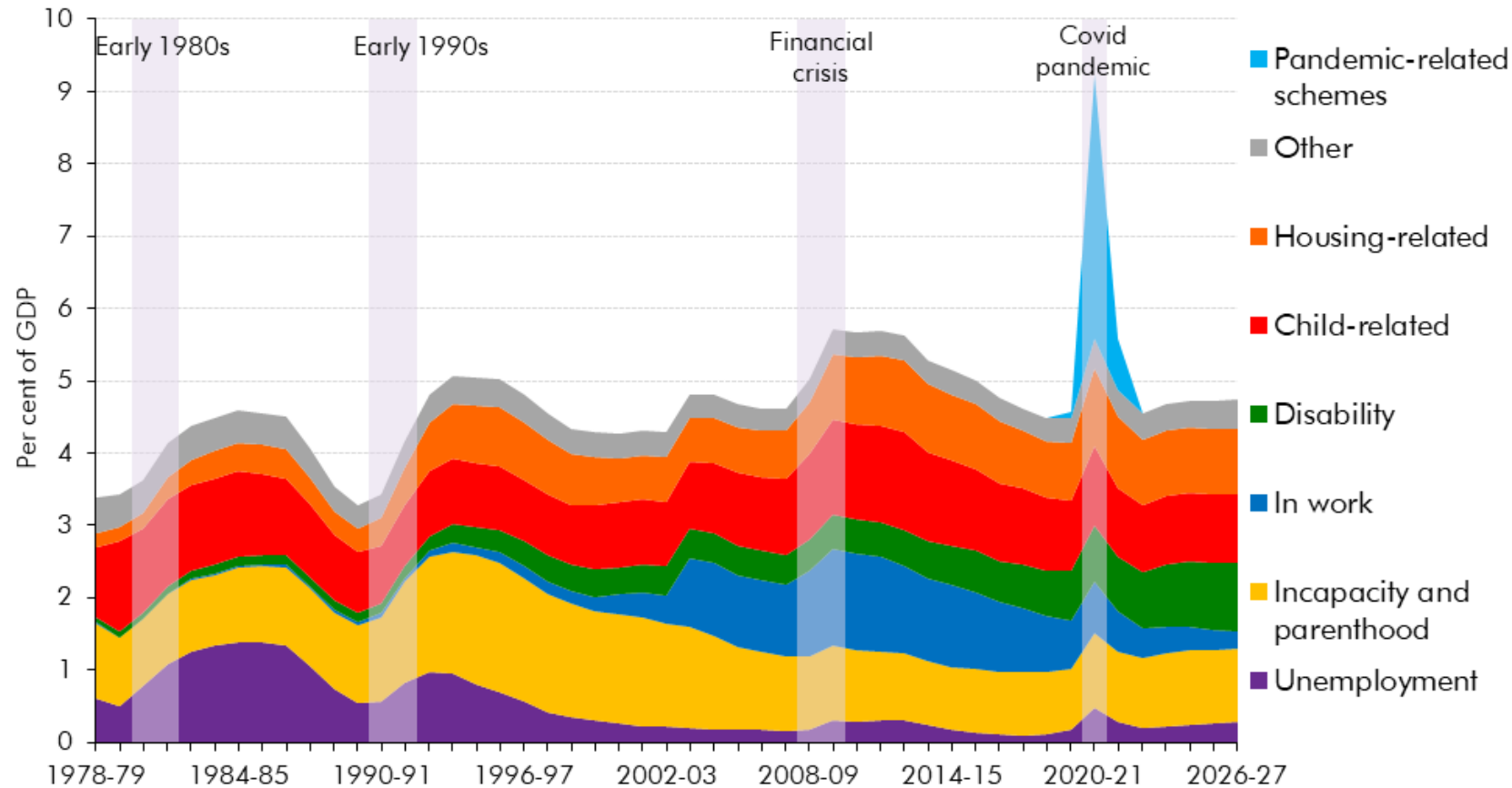
Resolution Foundation roundtable
24 May 2022

Background

- OBR publishes a *Welfare trends report* once every two years
 - Looking at spending, not distribution or poverty
 - Grateful for help of DWP and other officials
 - Views responsibility of BRC
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- This year's focuses on changes in non-pensioner spending during and after recessions – how does the pandemic compare to the previous three?

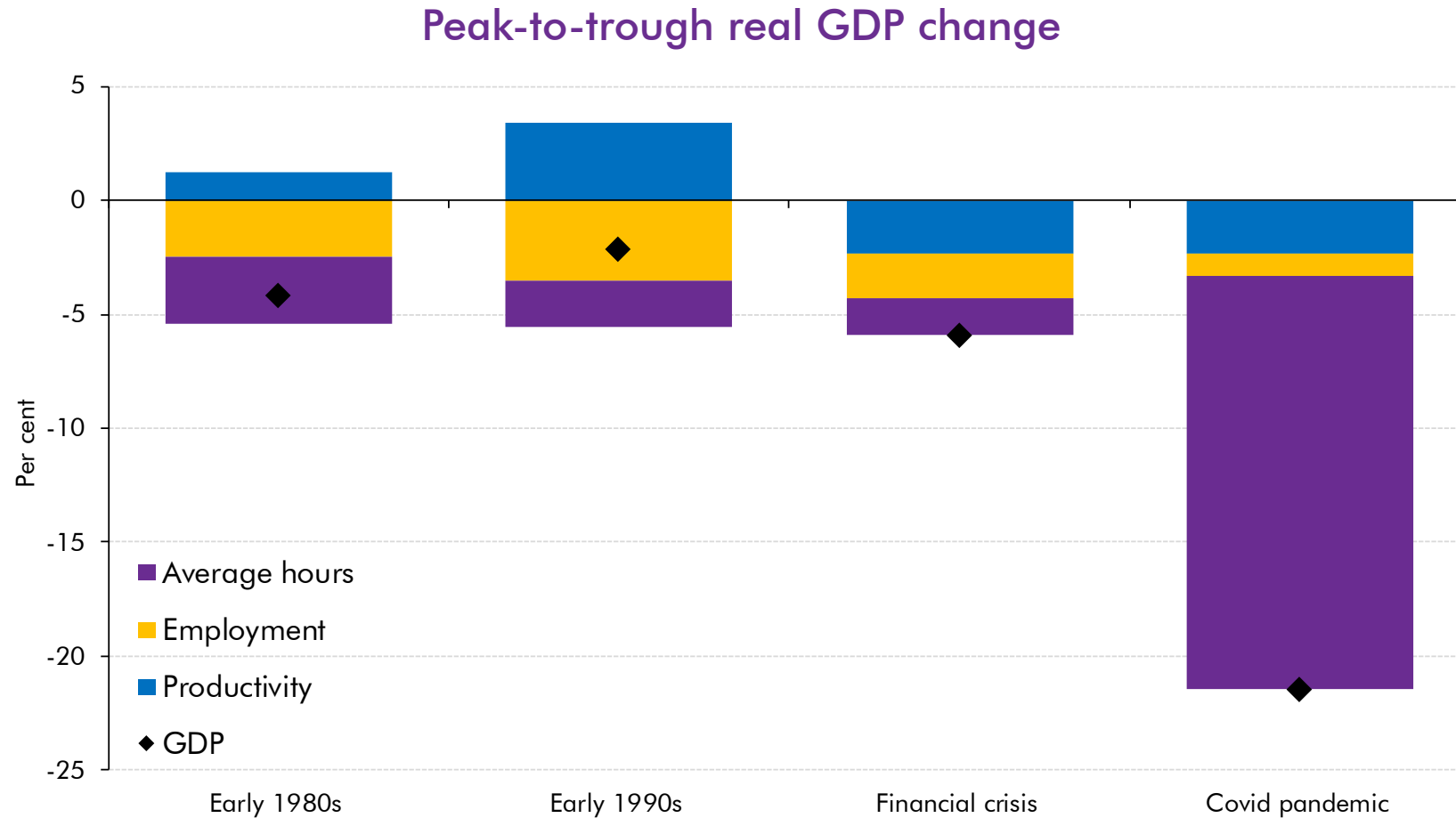
Four recessions and half a century of welfare spending

Non-pensioner welfare spending



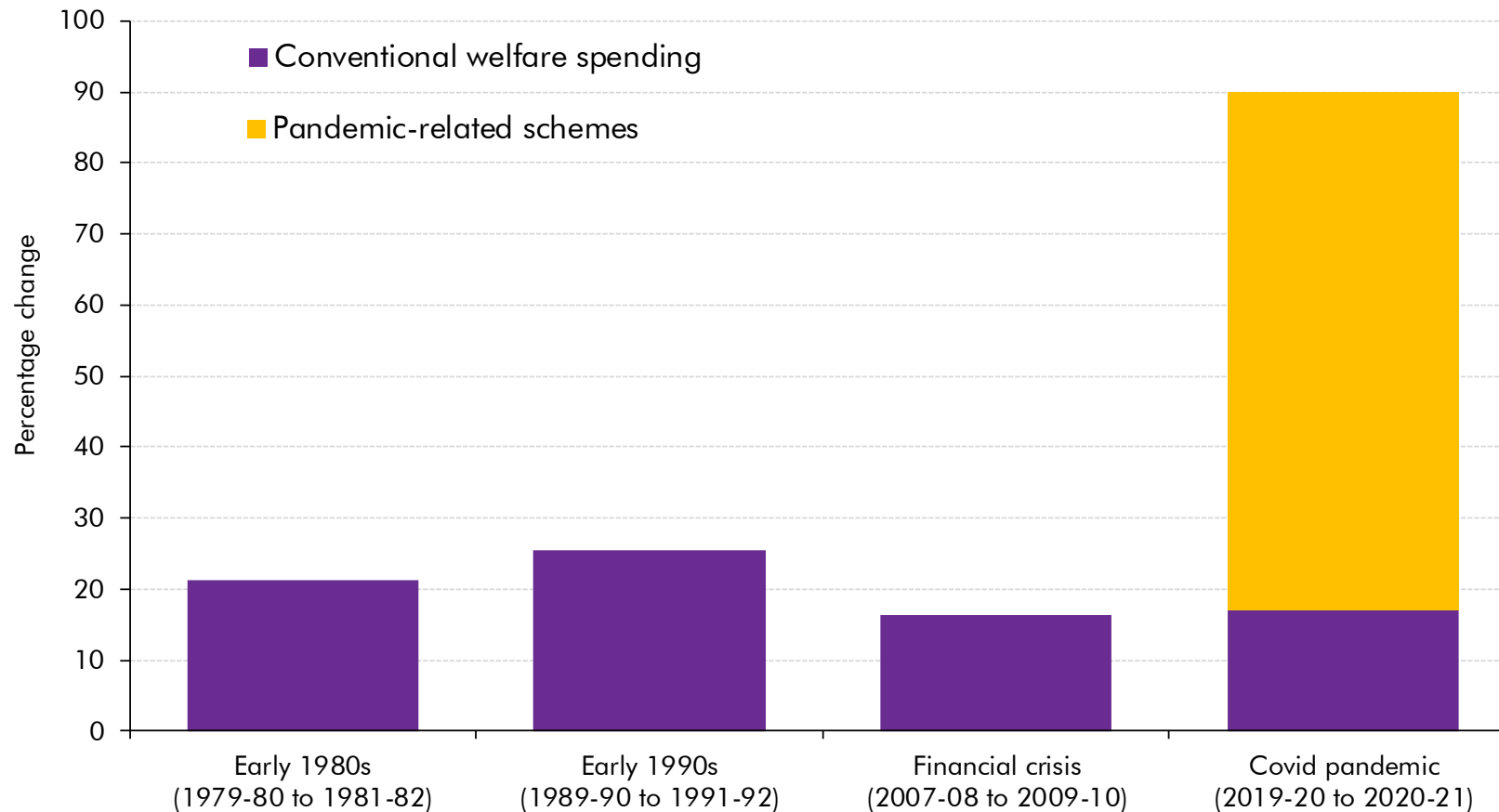
Source: DWP, HMRC, OBR

Covid exceptionalism – bigger, faster, and felt in hours not employment...



...Thanks in large part to the furlough and self-employment schemes

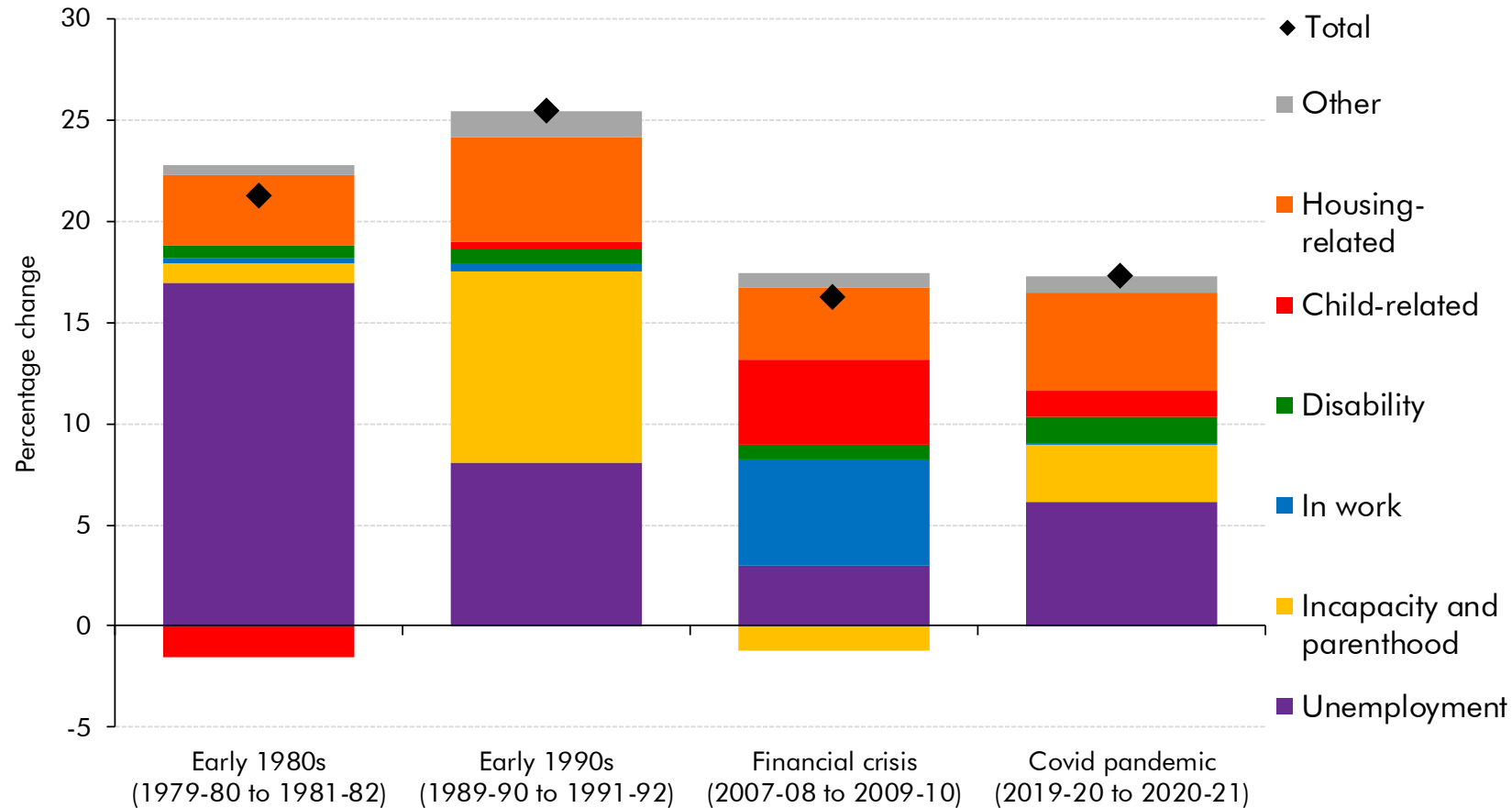
Initial change in real non-pensioner spending



Source: DWP, HMRC, OBR

These schemes limited the rise in conventional welfare spending

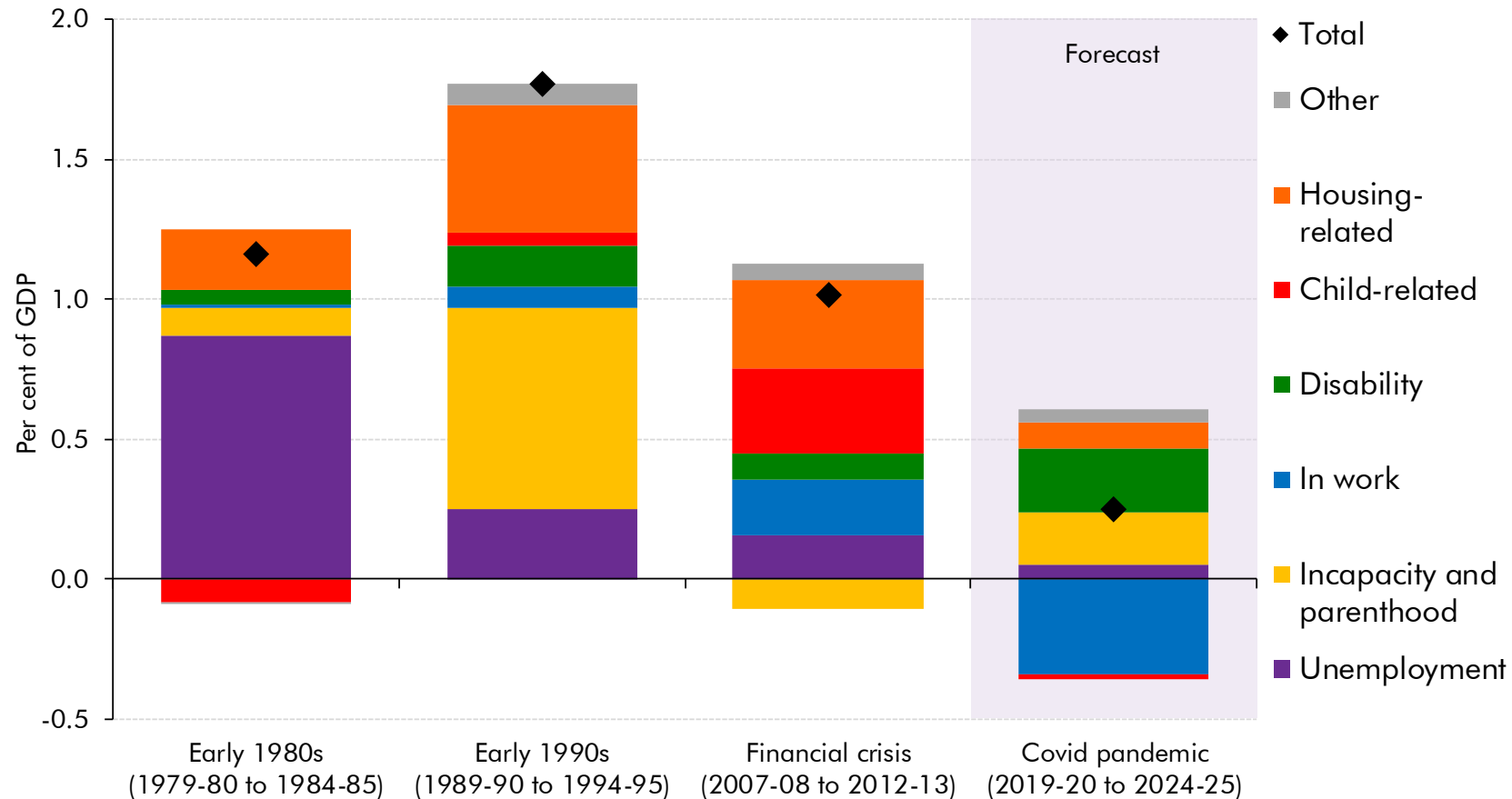
Initial change in real non-pensioner spending



Source: DWP, HMRC, OBR

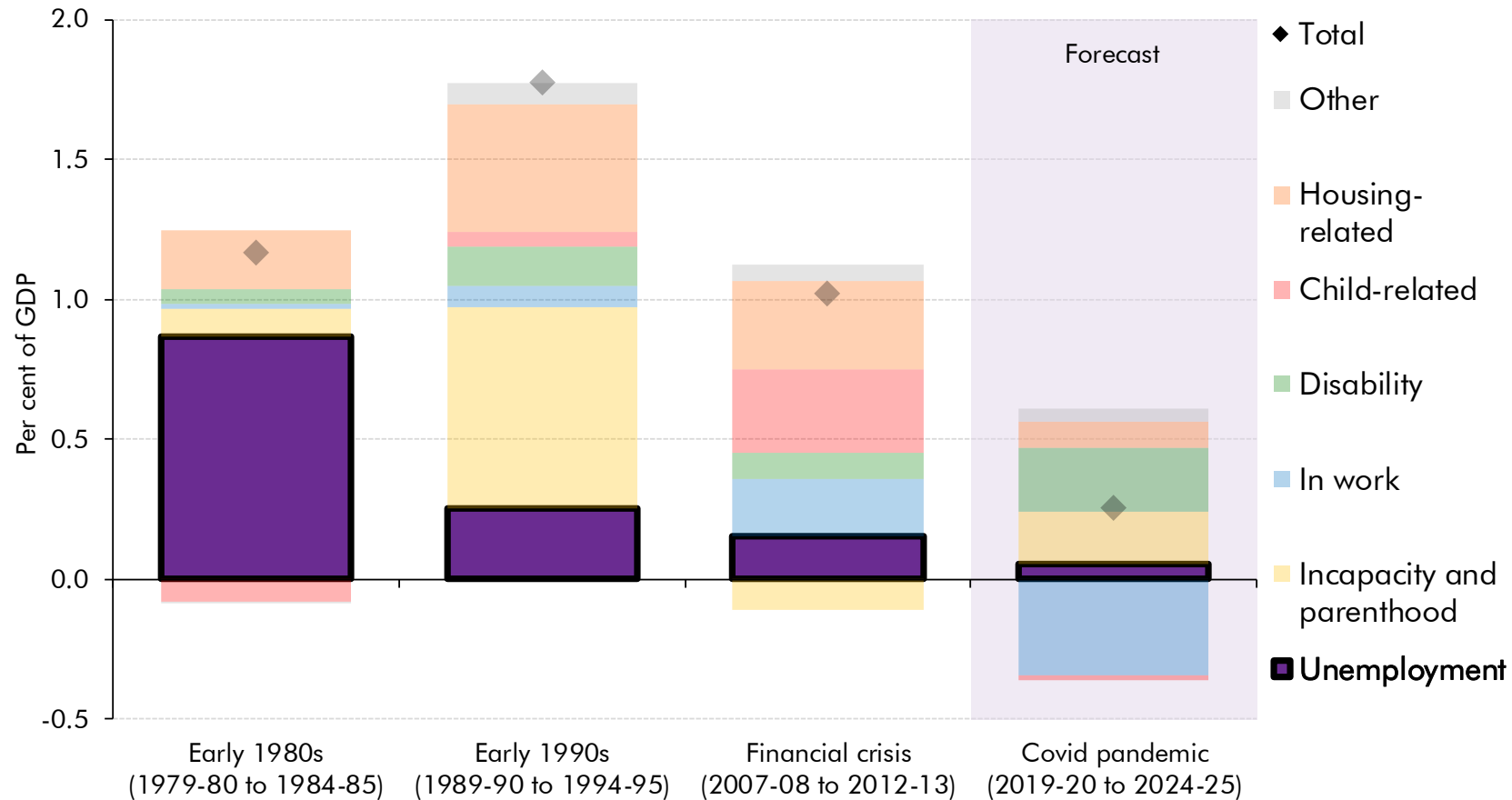
We forecast a much smaller medium-term rise than in previous recessions

Medium-term change in non-pensioner spending



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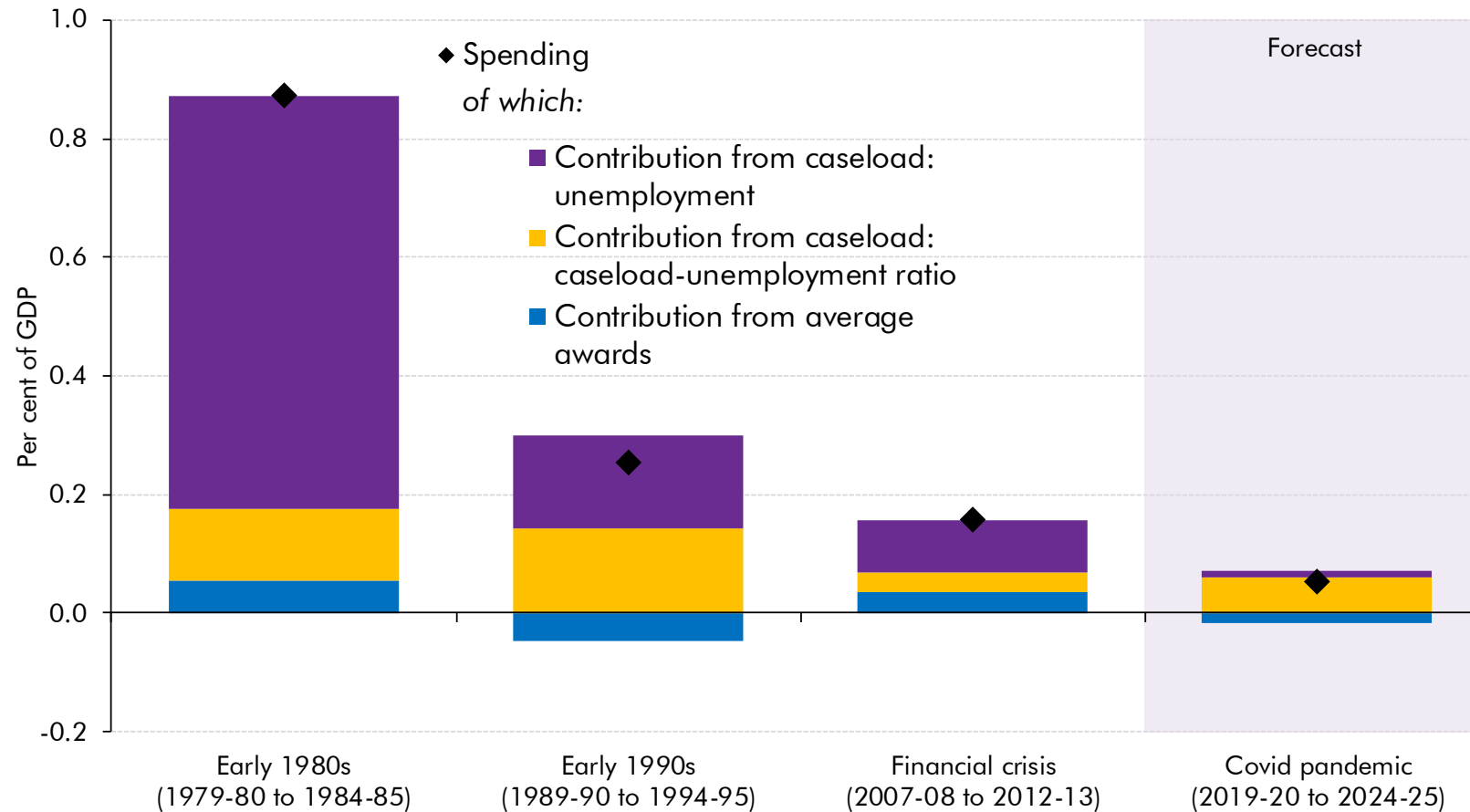
Medium-term change in non-pensioner spending



Source: DWP, HMRC, OBR

Thanks to no unemployment scarring

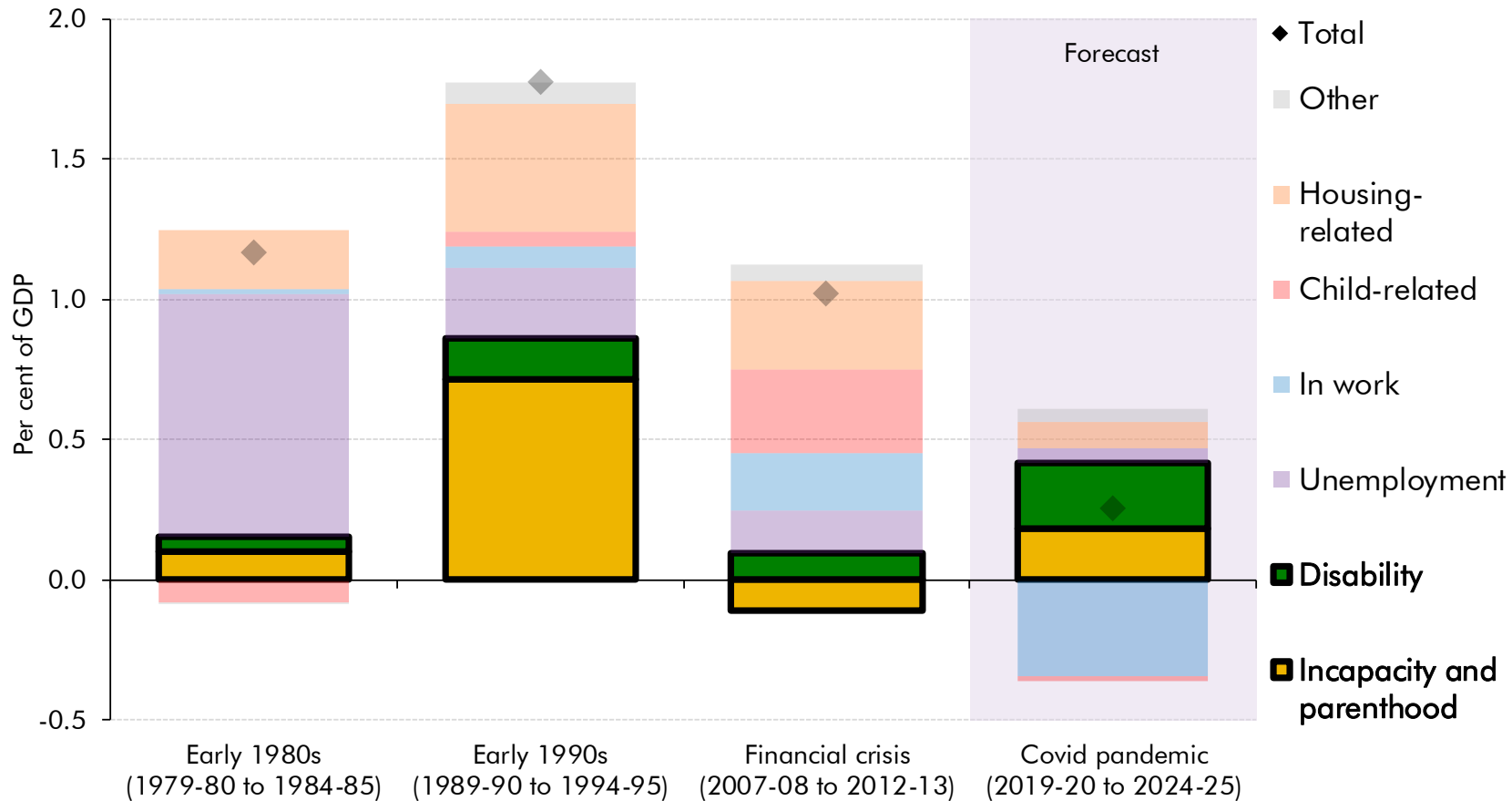
Drivers of medium-term change in unemployment spending



Source: DWP, ONS, OBR

But enduring pandemic health impacts raise disability/incapacity spending

Medium-term change in non-pensioner spending



Source: DWP, HMRC, OBR

Risks and uncertainties

- **Economic:**
 - **Unemployment:** +/- 1ppt = +/- £2.1bn welfare spending
 - **Health-related inactivity:** 2x pandemic impact = +£2.7bn spending
 - **Scarring** to potential output: risks in both directions via productivity, migration and cash size of economy
- **Policy/operational:**
 - Lag in **benefit uprating** this year: Real benefit rates 6-7% (£12bn) lower than pre-pandemic. Largely catch up next year
 - **Take-up:** +1% caseloads = +£1.3bn spending
 - **Fraud and error:** jumped from 9% to 15% in pandemic; part-policy-driven falls save £1.2bn in our latest forecast
- **Dwarfed by risks of another recession = biggest driver of short- and medium-term welfare spending changes, and policy response**