

Office for
**Budget
Responsibility**

Welfare Trends Report 2016

Presentation to the
SSAC's Stakeholder Day
10 November 2016

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Background

The remit of the OBR

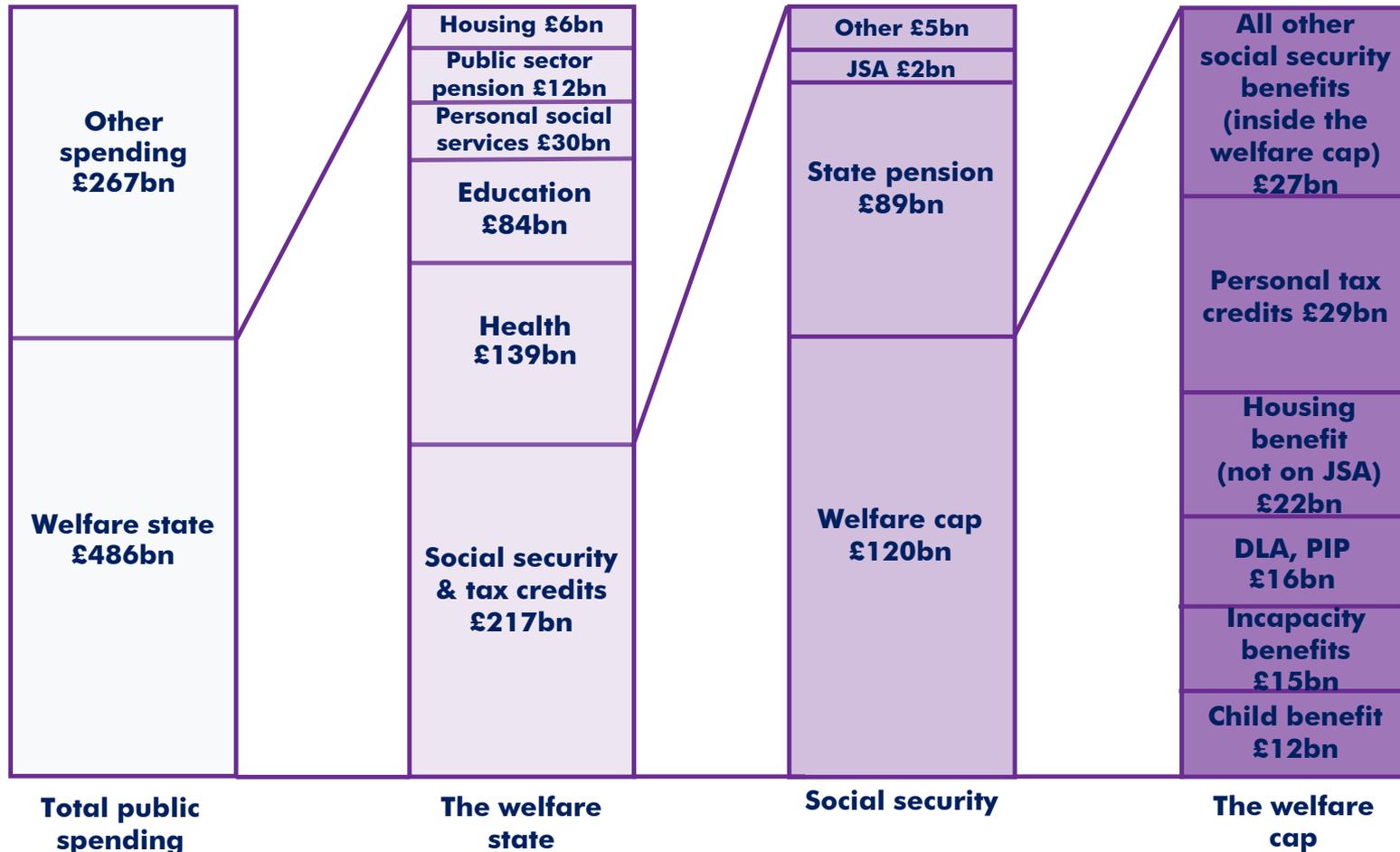
- **Five initial tasks:**
 - Medium-term economic and fiscal forecasts
 - Assessment of progress against fiscal targets
 - Scrutiny of tax and welfare measure costing
 - Long-term and balance sheet analysis
 - Evaluation of past forecast accuracy
- **Additional tasks**
 - Forecasting devolved tax receipts (from 2012)
 - Reporting on trends in welfare spending (since 2014)
 - Regular report on fiscal risks (from 2017)
- **But no policy advice or normative commentary**

Welfare Trends Reports

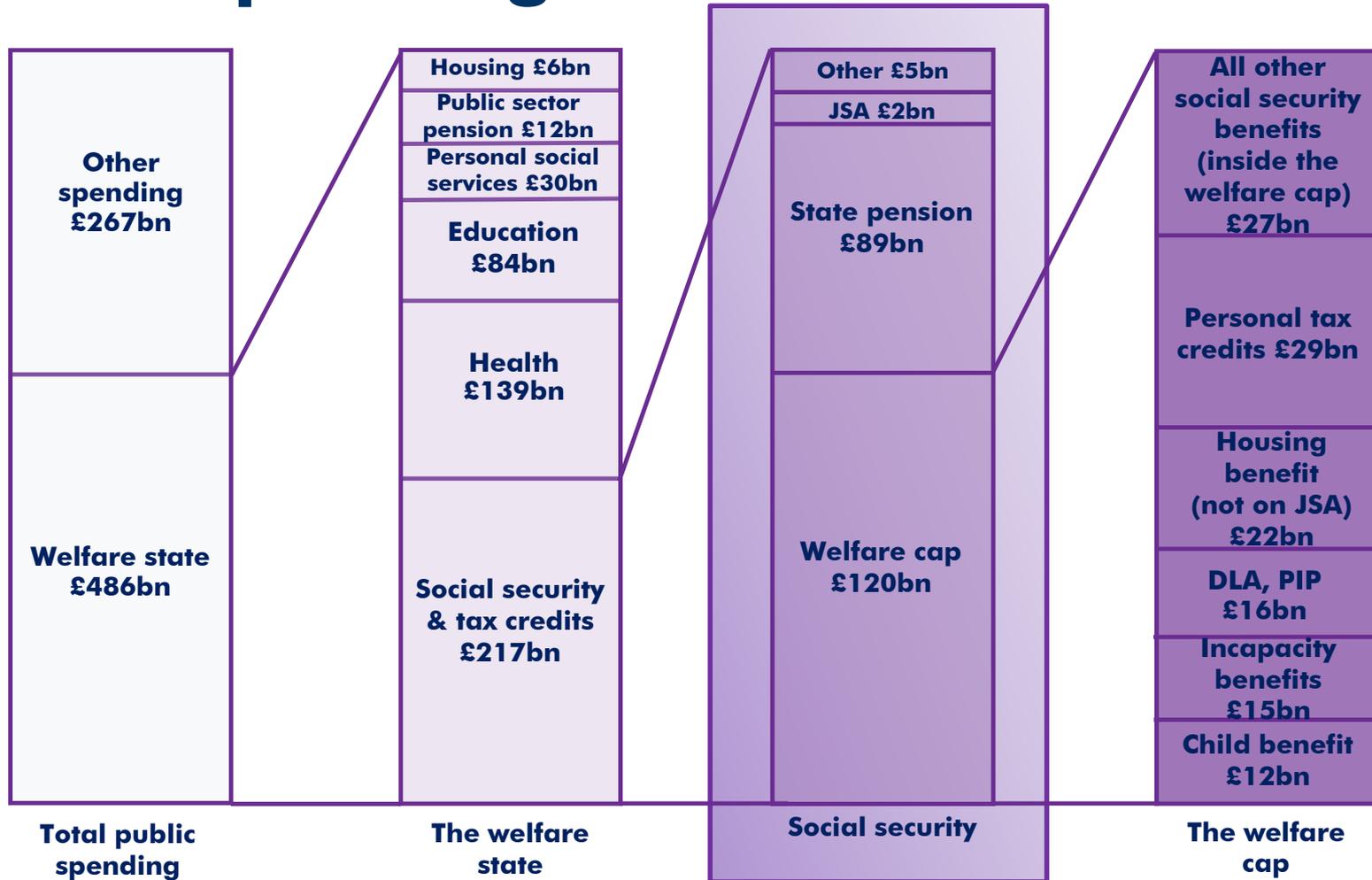
...in order to facilitate open and constructive debate, to prepare and publish information on the trends in and drivers of welfare spending...

- **WTR 2014:**
 - Comprehensive survey of spending over past 30 years
- **WTR 2015:**
 - International comparisons of social protection spending
- **WTR 2016:**
 - Looked into what explains the slower cash growth in welfare spending over the last Parliament and why that is expected to continue in this Parliament

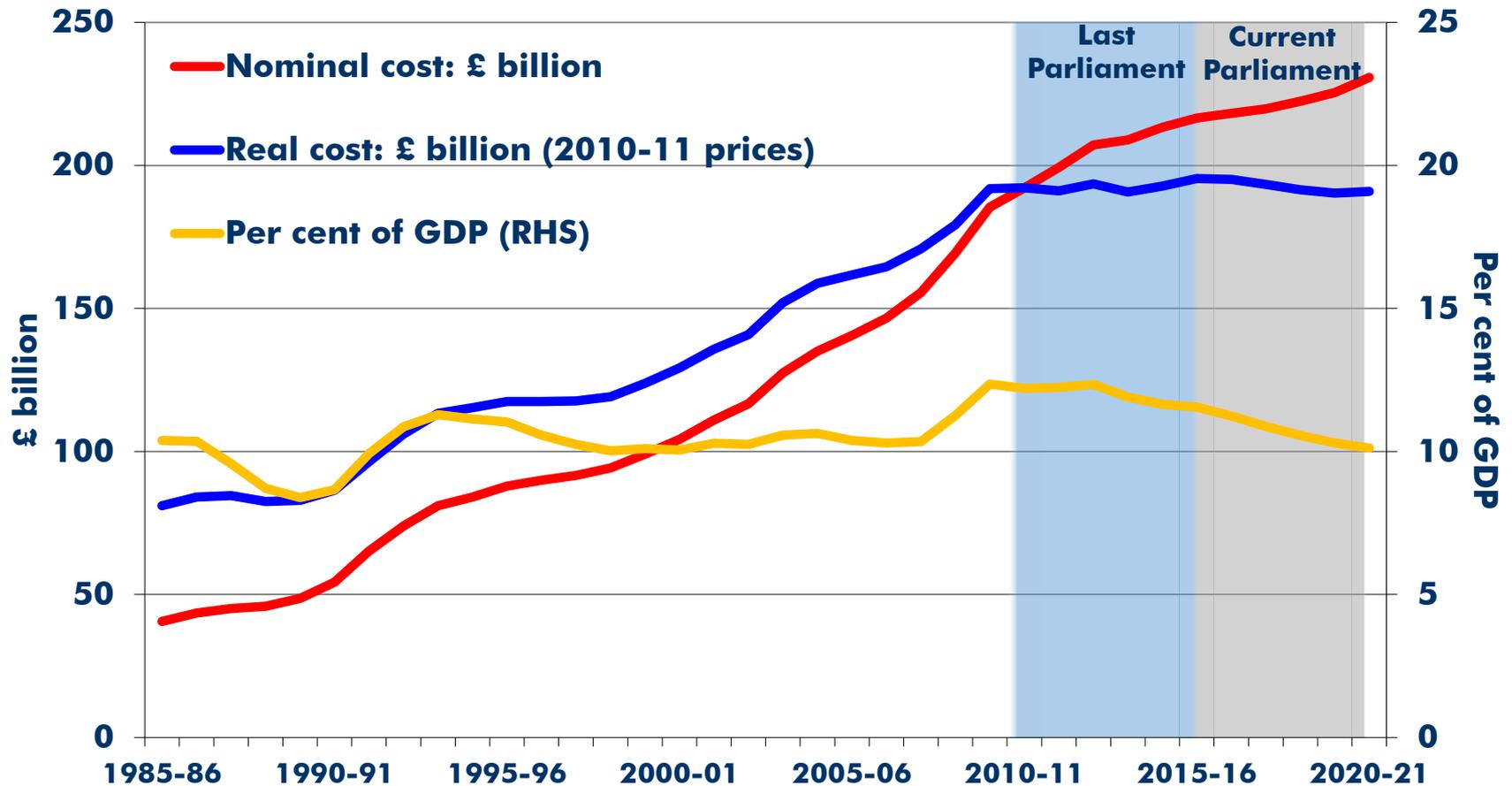
What spending do we cover?



What spending do we cover?



Historical trend in welfare spending

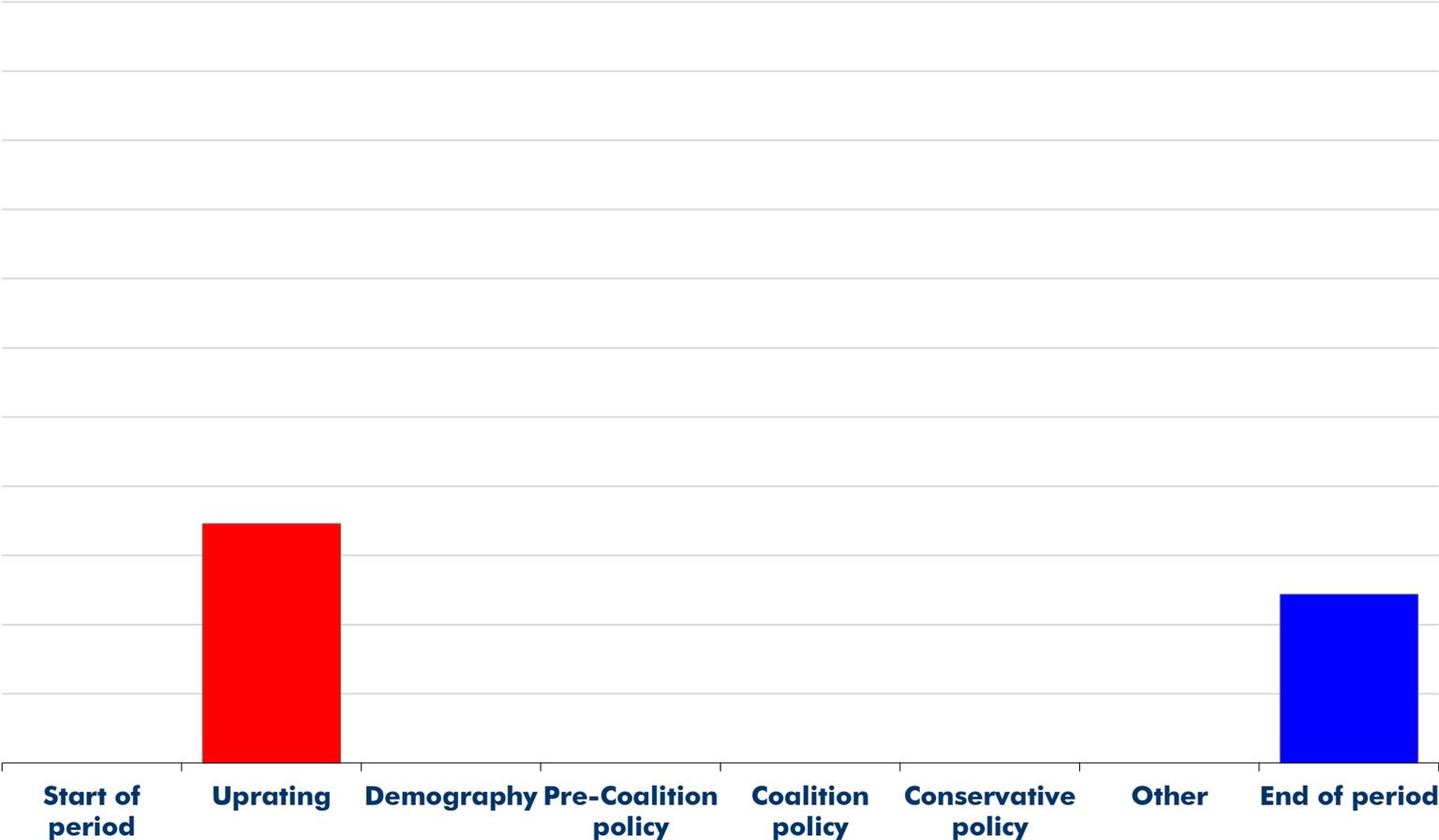


How we approached the question

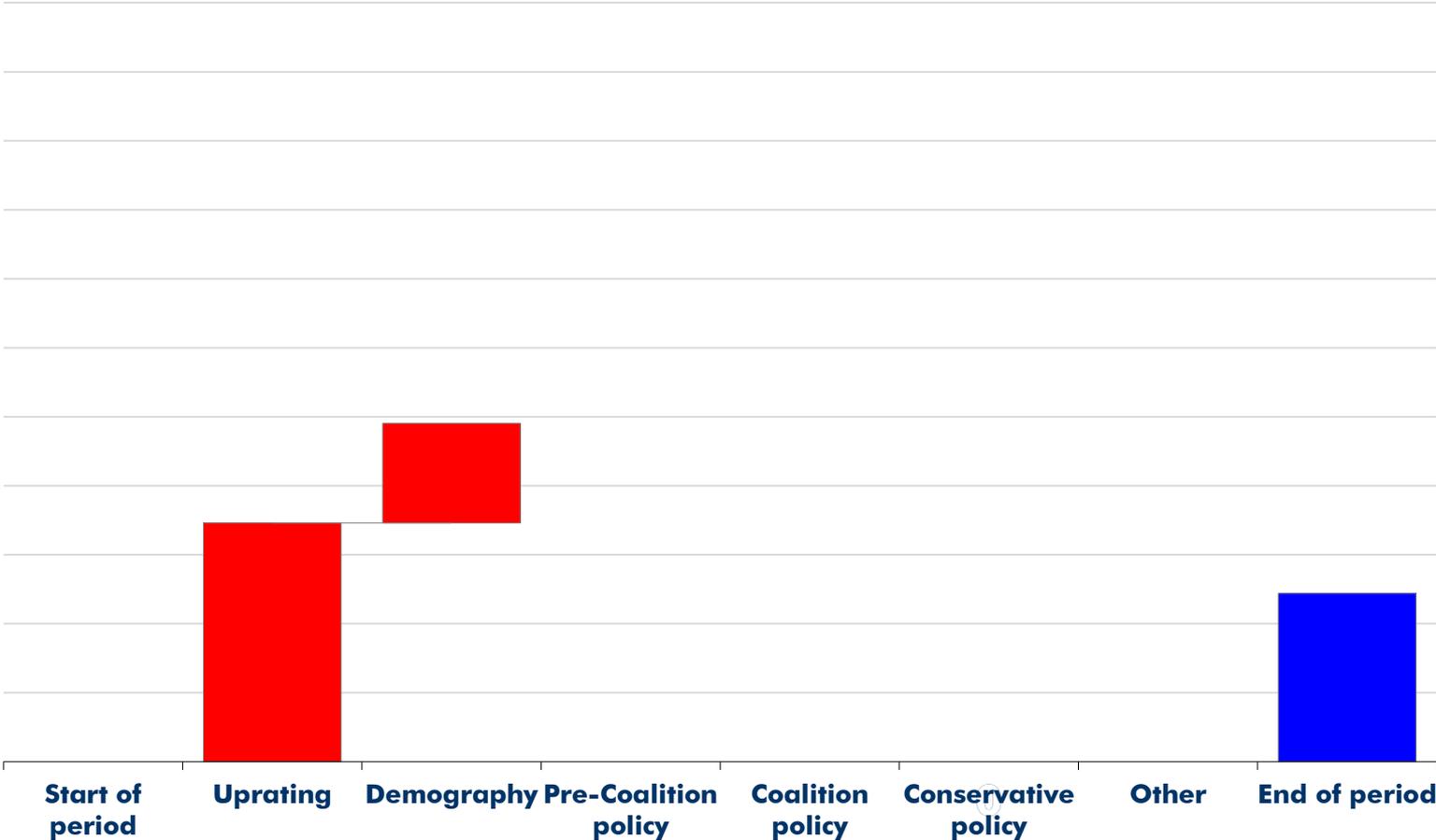
The analytical approach

- **Establish a baseline:**
 - Apply 2010-11 uprating policies to all future years
 - Adjust caseload for demographic factors
- **Estimate the effect of policy changes:**
 - Pre-Coalition policies with effects after 2010-11
 - Coalition policies announced between 2010 and 2015
 - Conservative policies announced since 2015
- **Leaving a residual to be explained:**
 - Non-policy drivers of spending
 - Calculated by residual, so also includes any errors in policy estimates

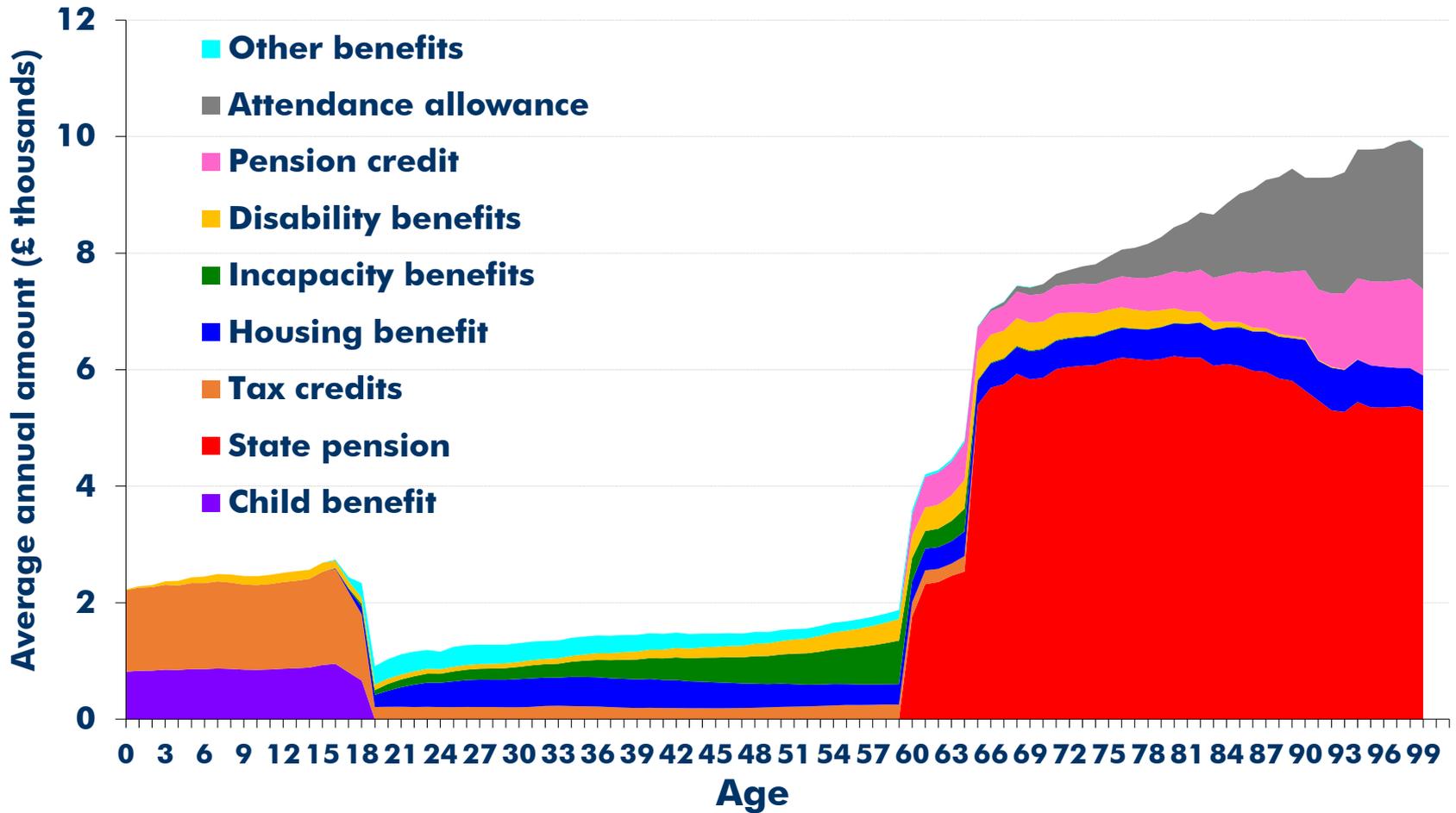
Establish a baseline



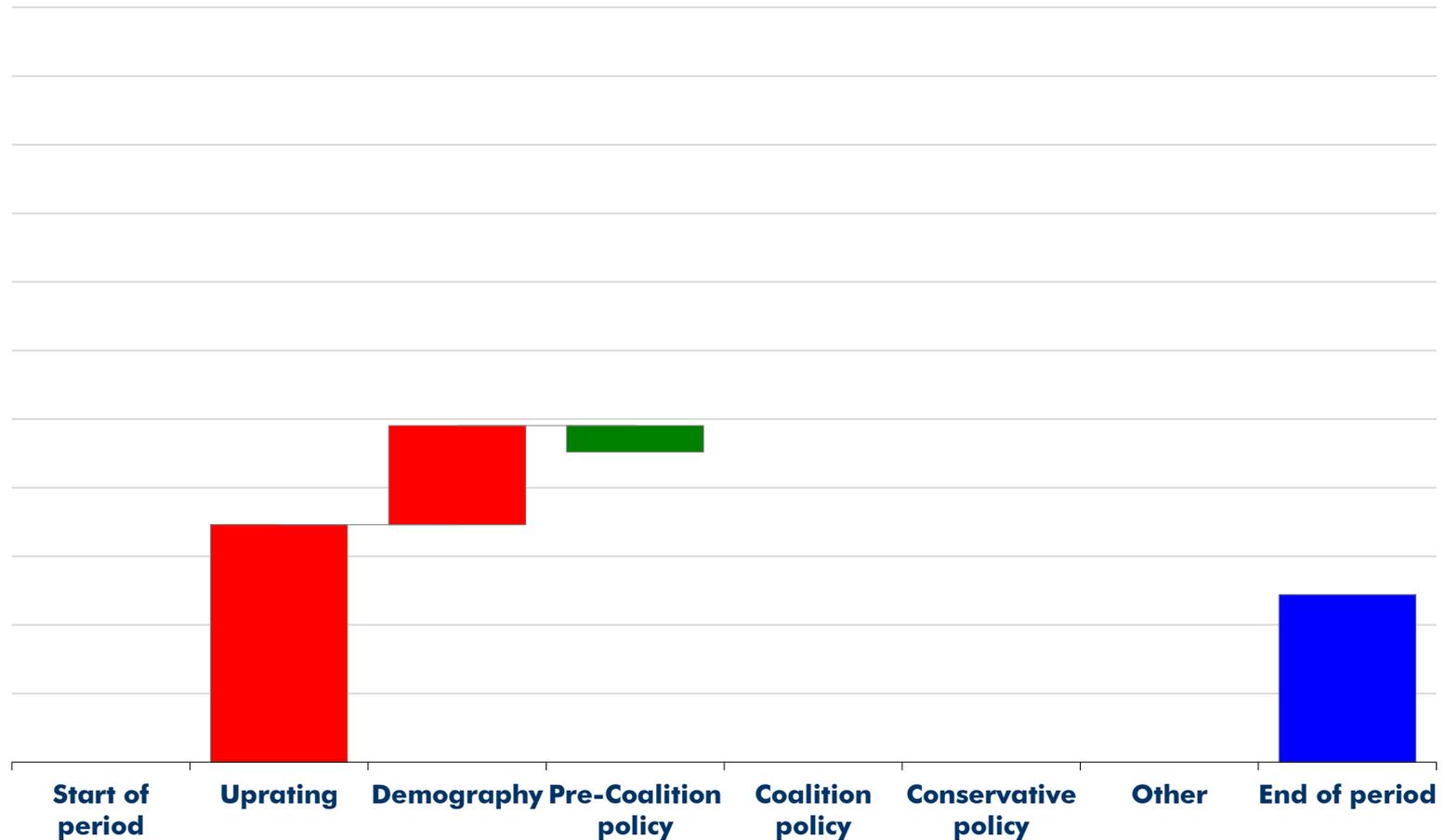
Establish a baseline



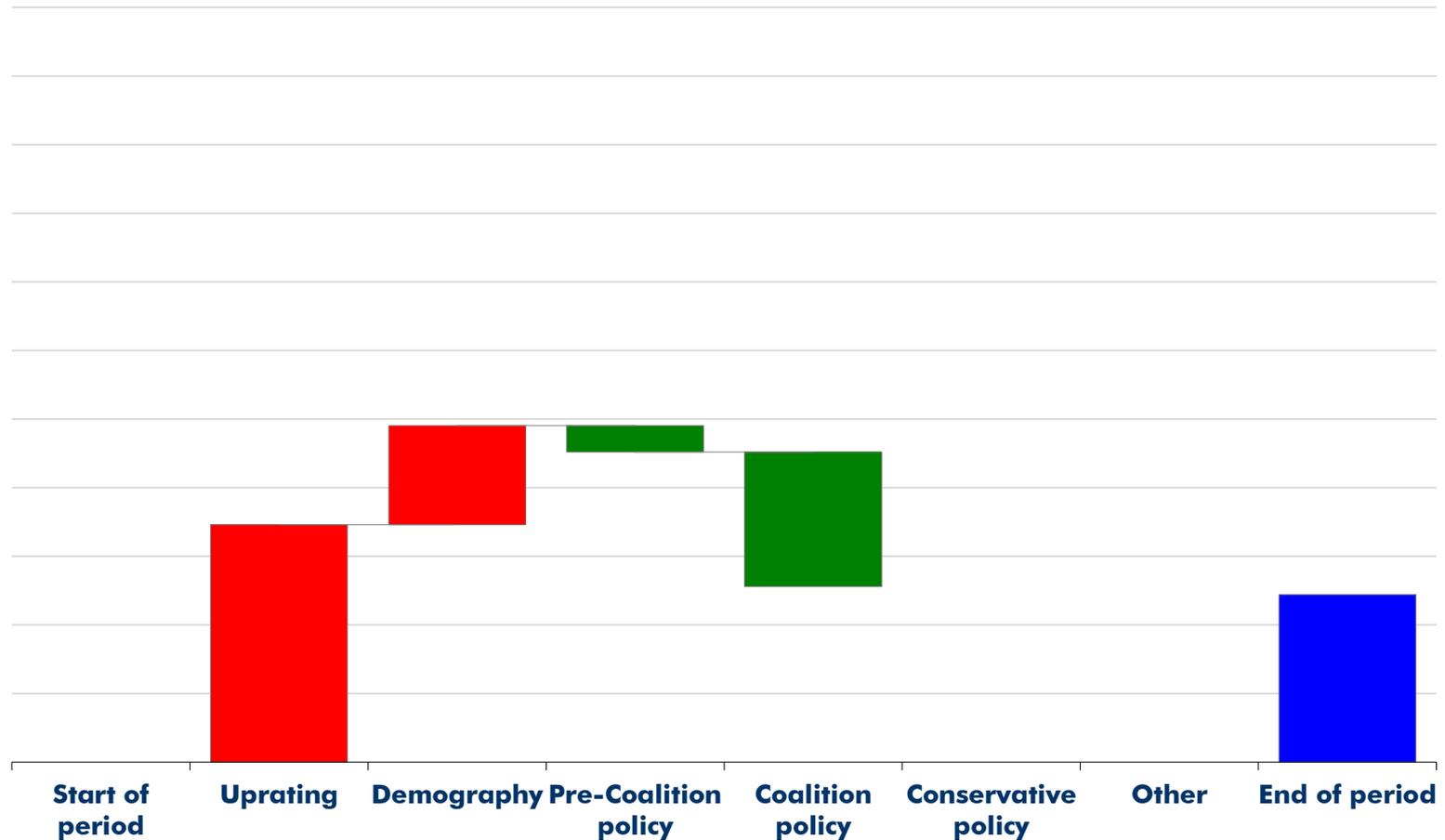
Age-structure of welfare spending



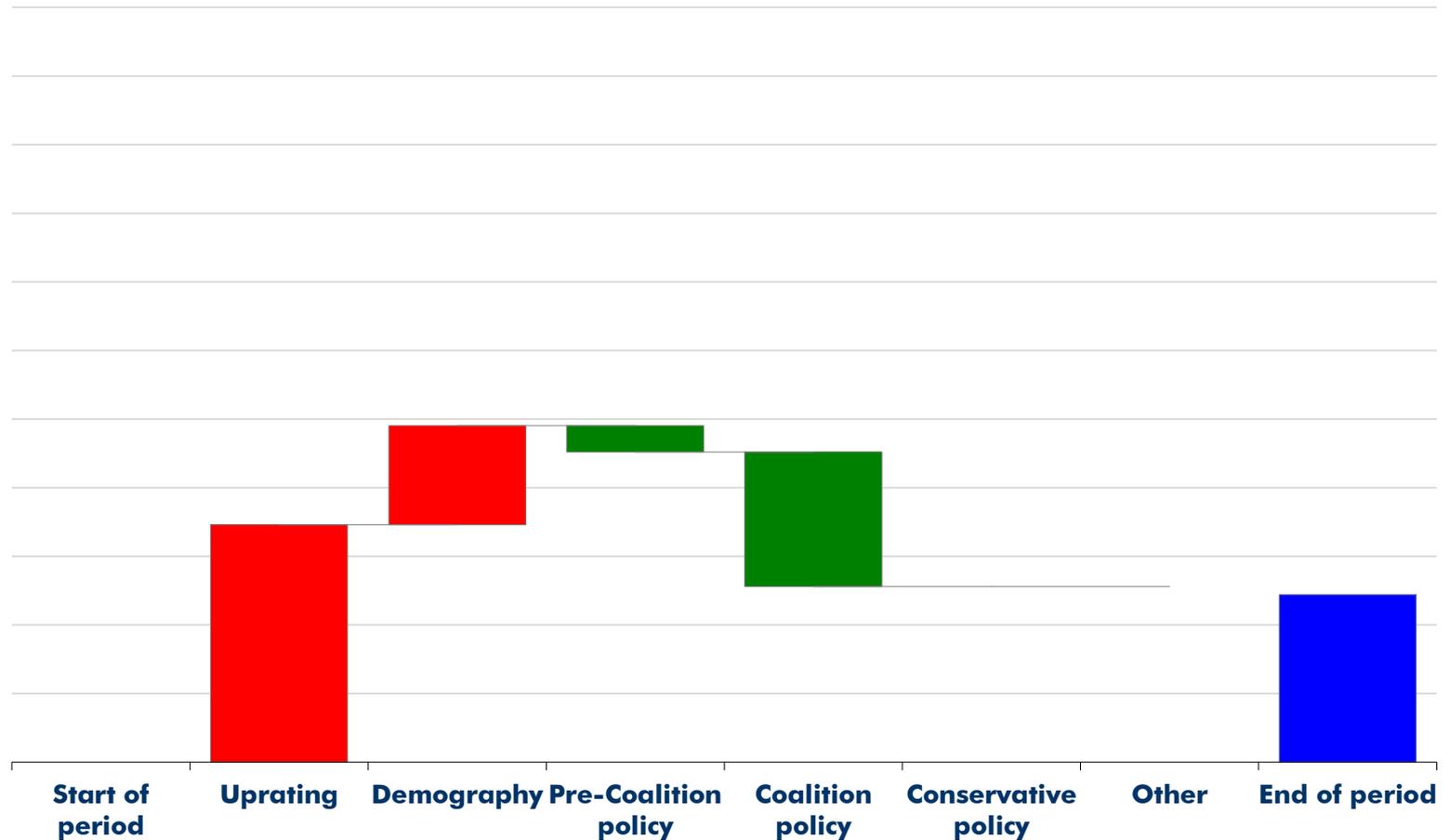
Estimate the effects of policy changes



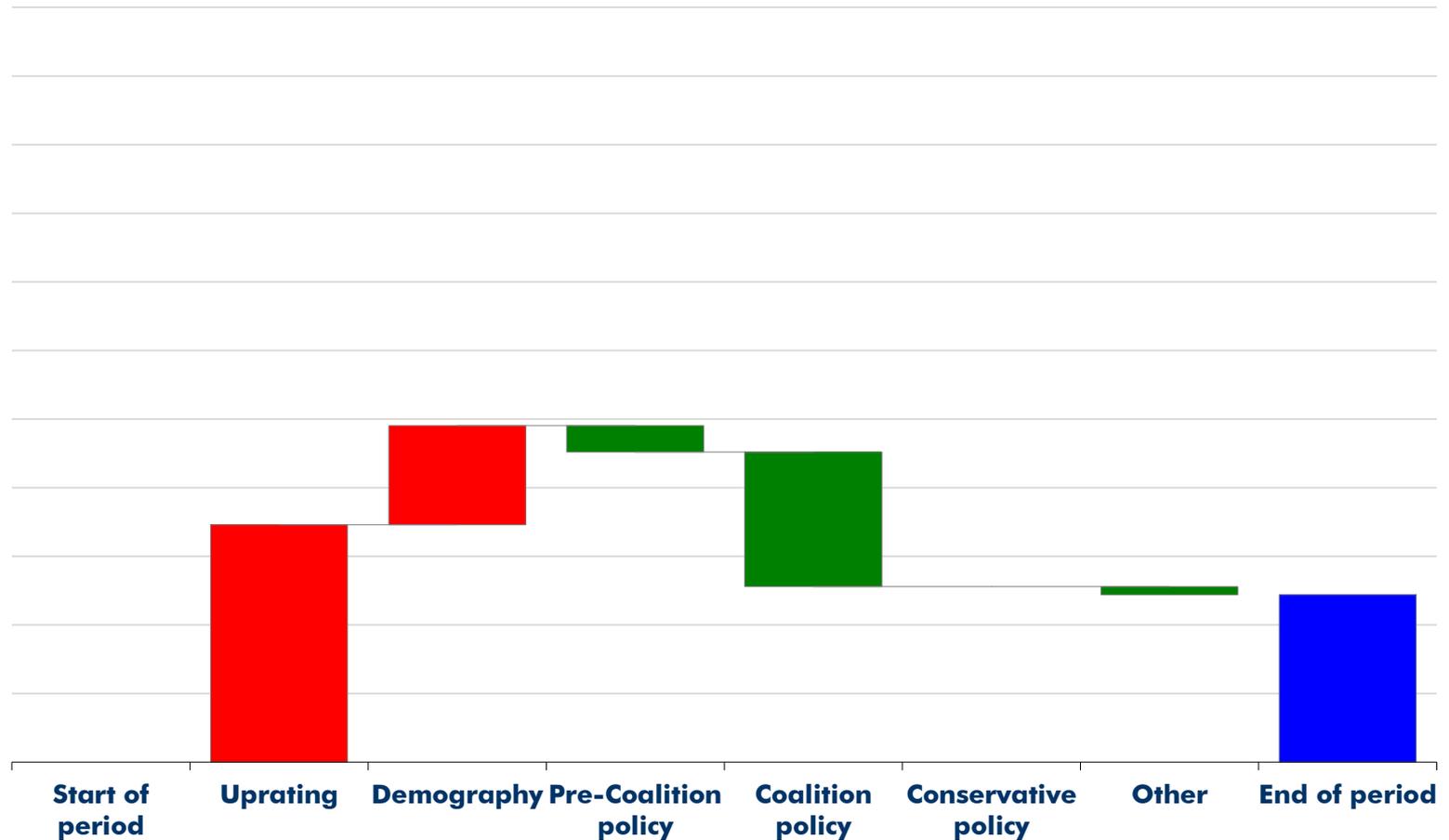
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Estimate the effects of policy changes



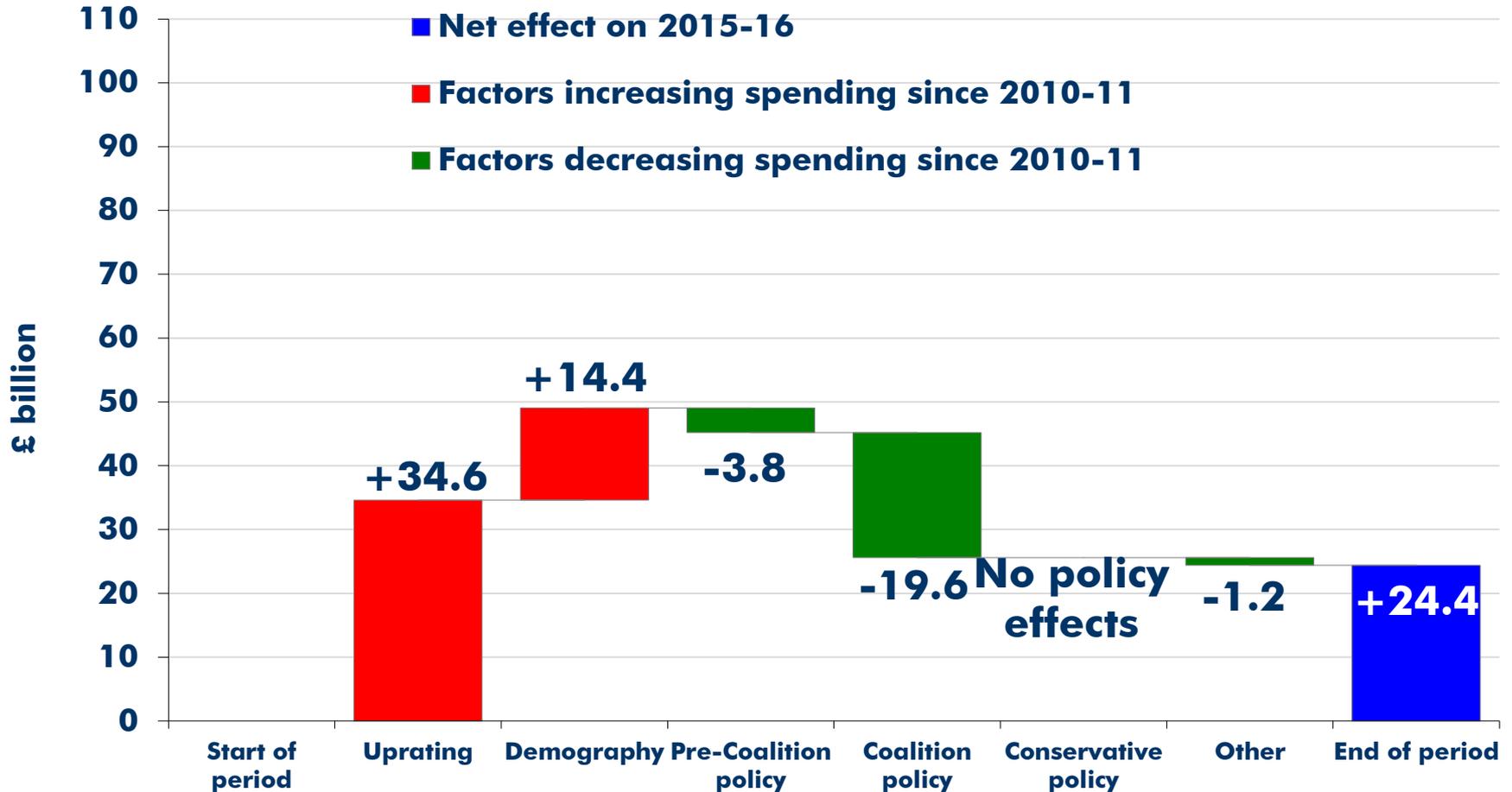
Leaving a residual to be explained



The results

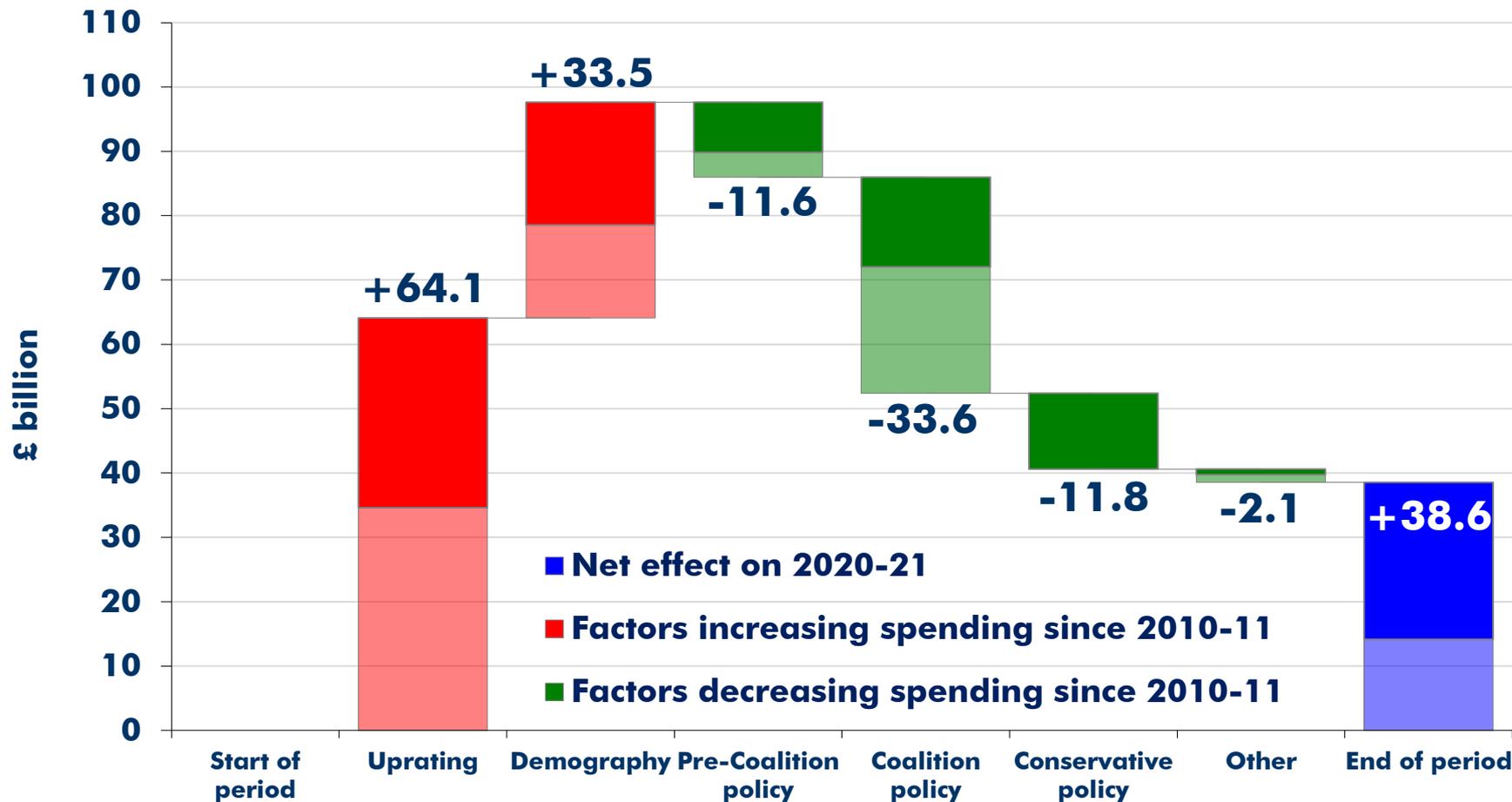
Total welfare spending

The 2010 to 2015 Parliament



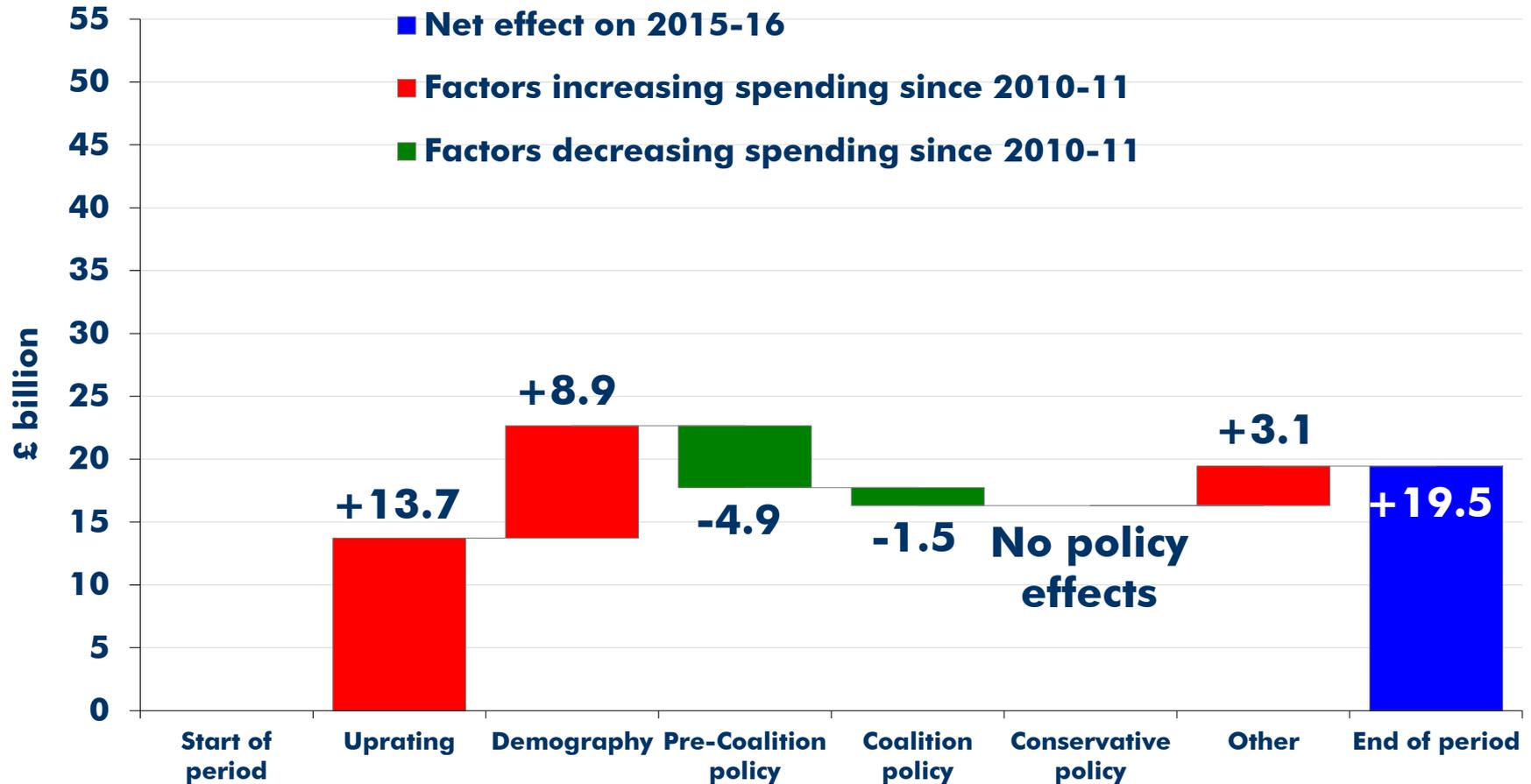
Total welfare spending

The 2015 to 2020 Parliament



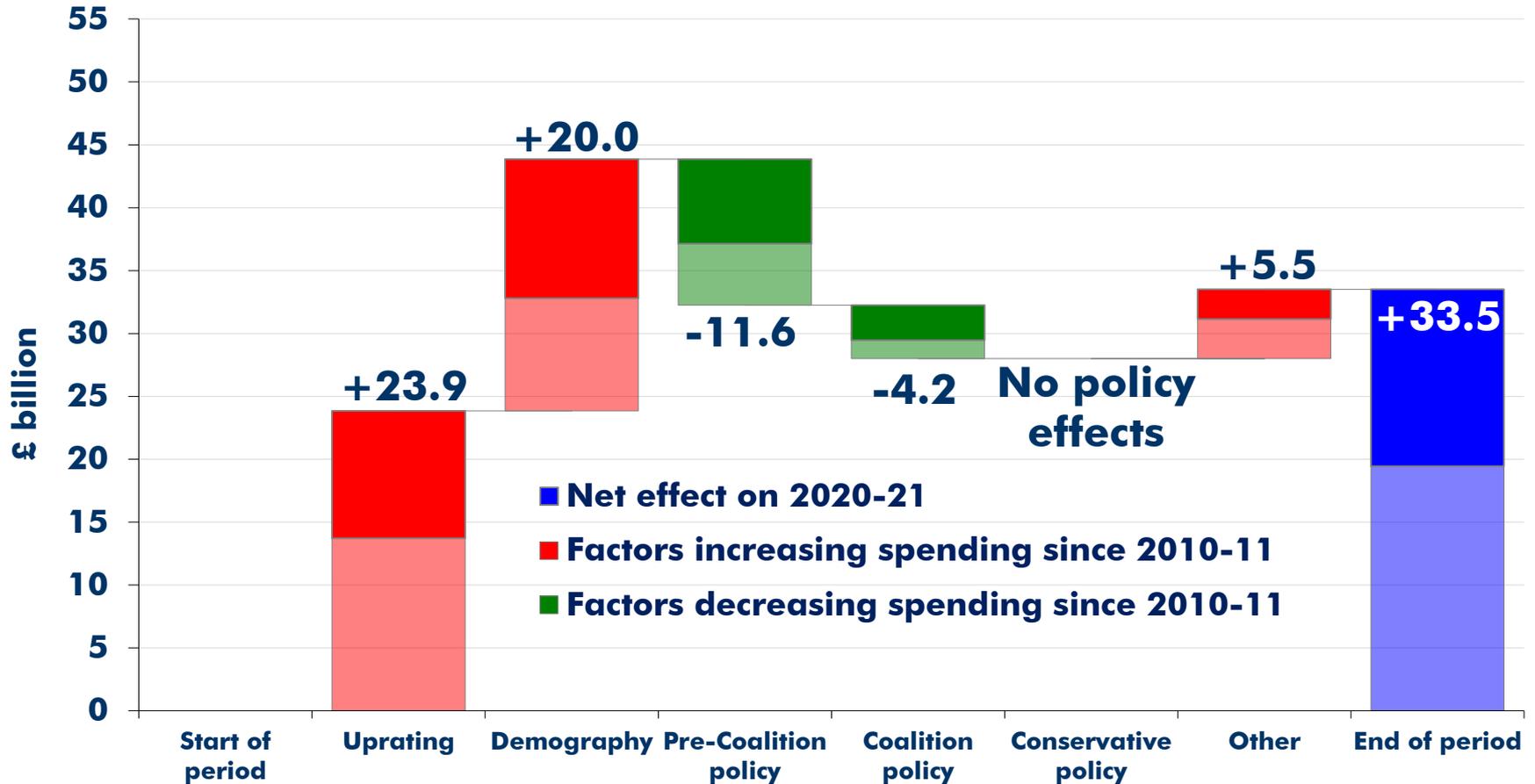
State pensions spending

The 2010 to 2015 Parliament



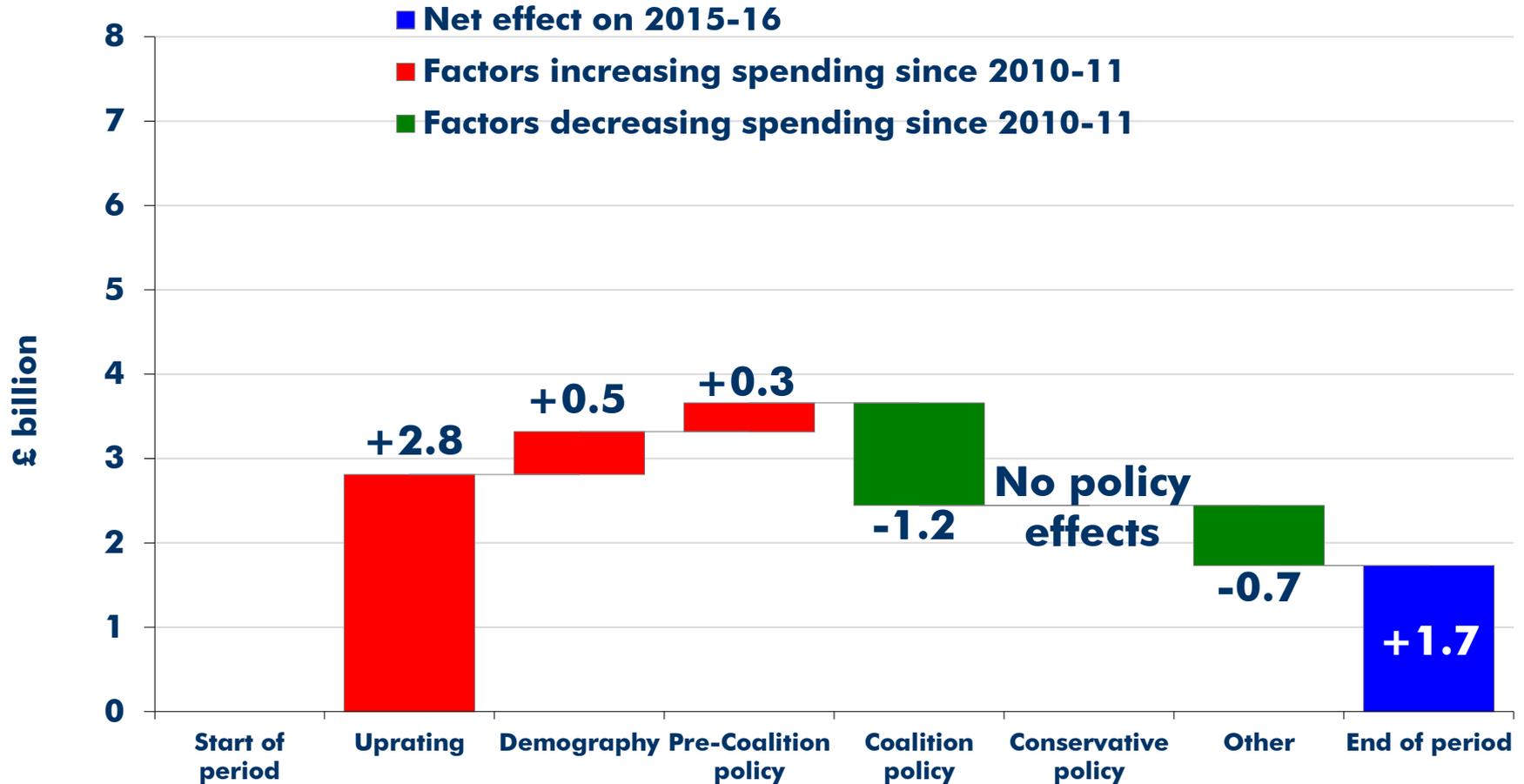
State pensions spending

The 2015 to 2020 Parliament



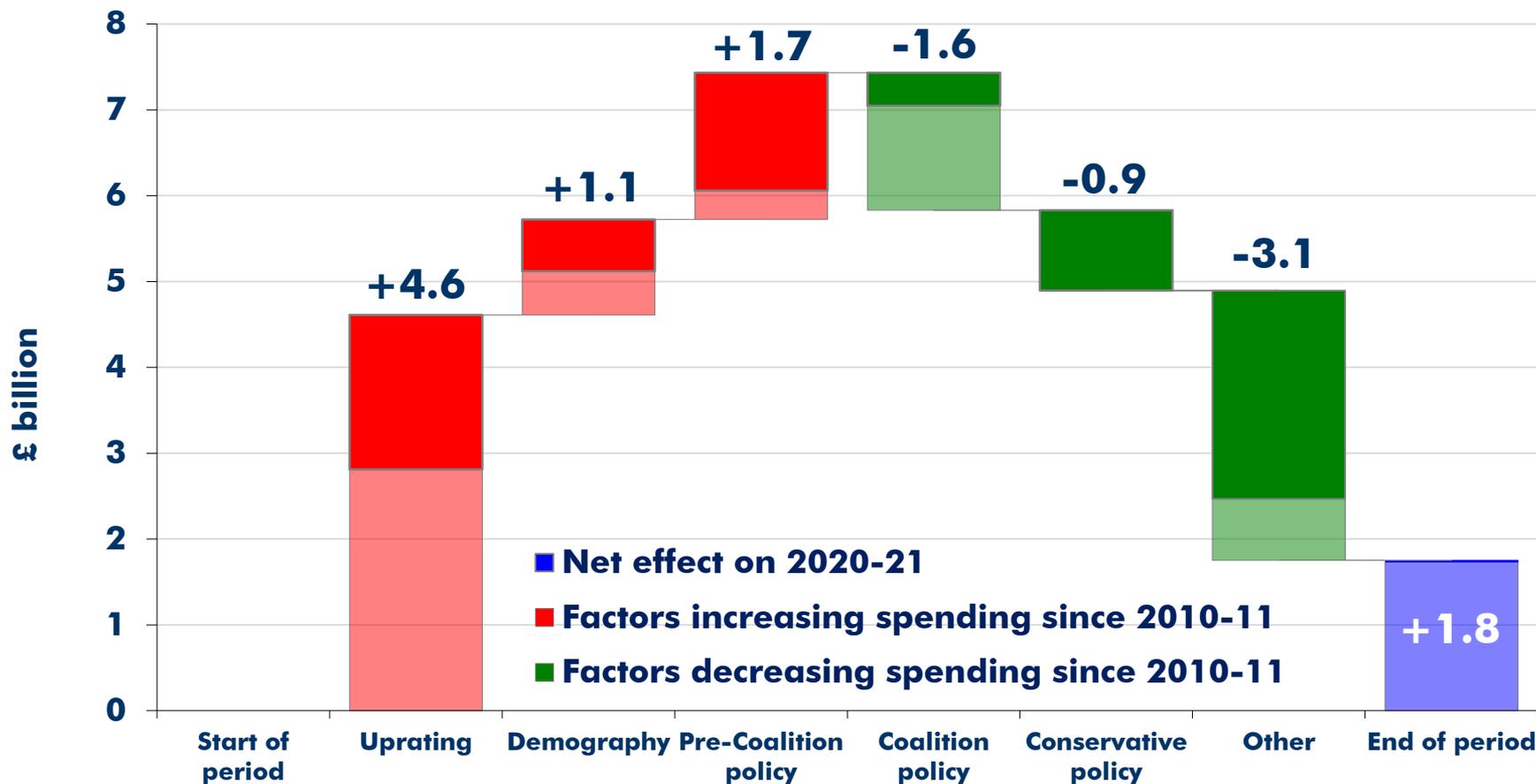
Incapacity benefits spending

The 2010 to 2015 Parliament



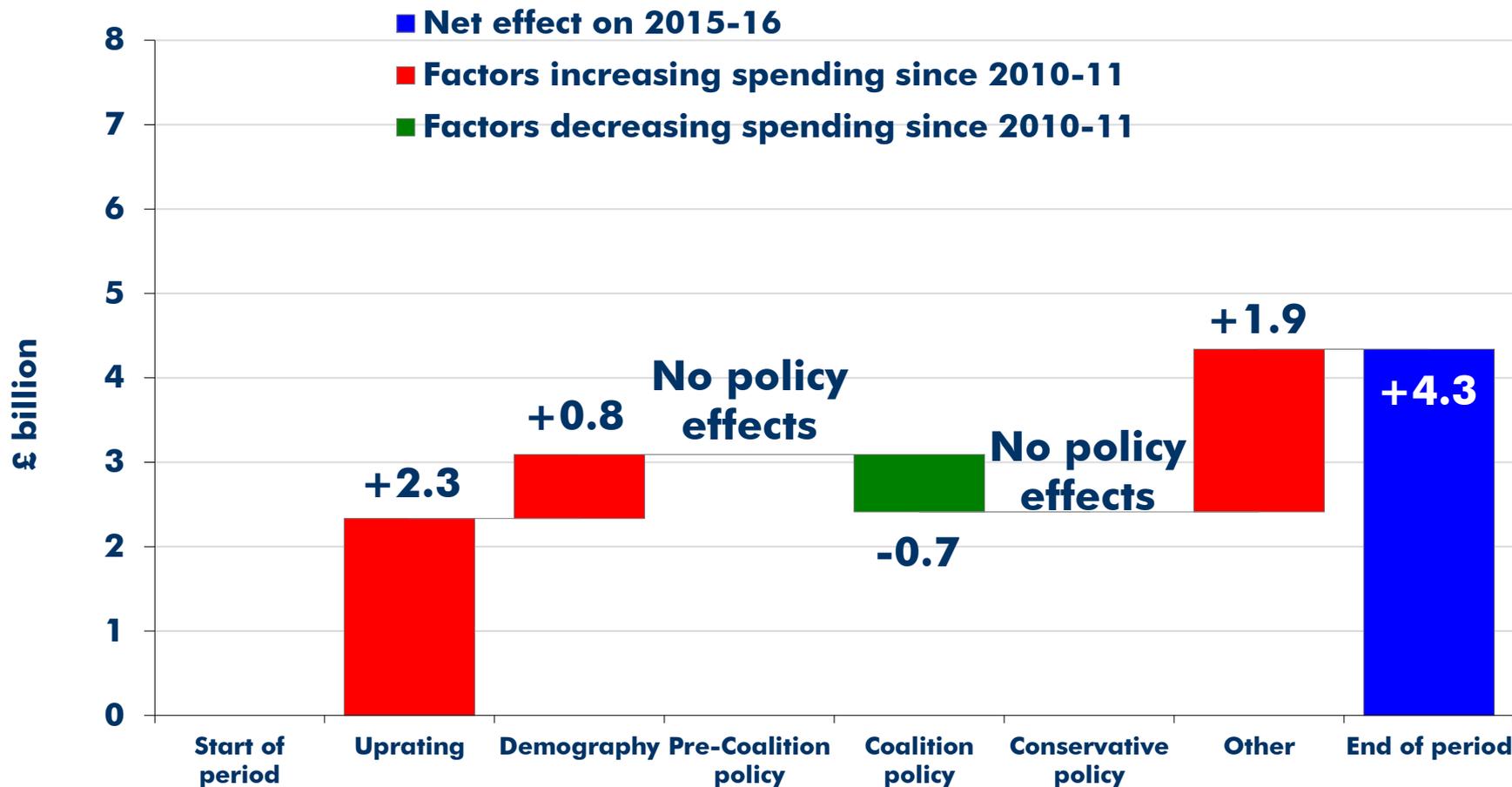
Incapacity benefits spending

The 2015 to 2020 Parliament



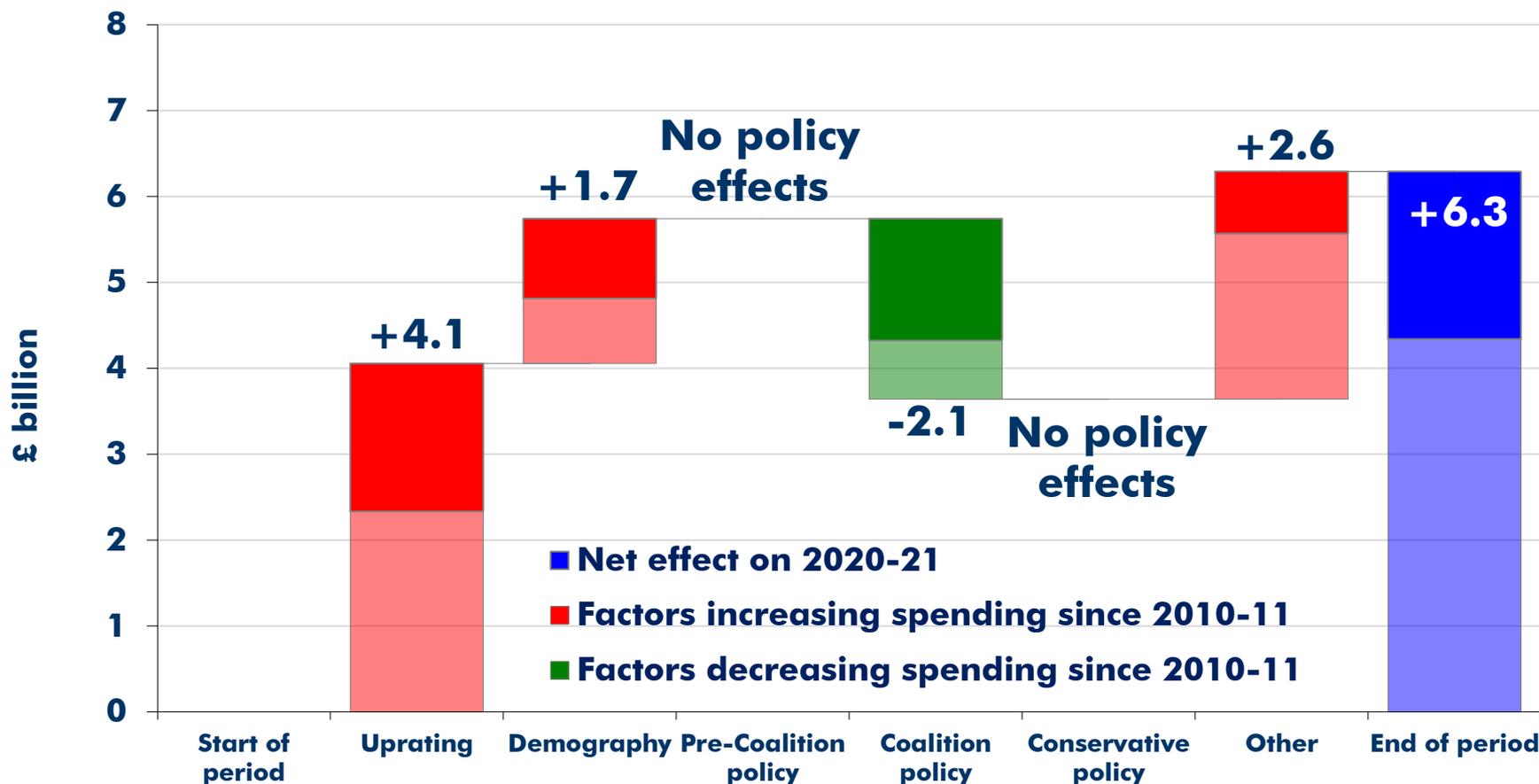
Disability benefits spending*

The 2010 to 2015 Parliament



* DLA and PIP, but excluding attendance allowance

The 2015 to 2020 Parliament Disability benefits spending*



* DLA and PIP, but excluding attendance allowance

Conclusions

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- **Scale and sustained welfare spending cuts in current and previous Parliaments in some ways unprecedented**
- **Biggest effects come from simple uprating policies**
- **Major structural reforms have proceeded more slowly than expected and saved less than initially predicted**
- **The new Government's welfare spending cuts are subject to a variety of risks and uncertainties**
- **Rising prevalence of mental health conditions and learning difficulties, particularly at younger ages, a factor that we will look at again in the future**