

2024 GENERAL ELECTION BRIEF

Social Security

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The discussions to date in the election campaign have been dominated by issues around tax. Much less prominent have been discussions about the social security system. The Conservatives, in the run-up to their manifesto launch on Tuesday, highlighted savings they wanted to make in the welfare system of £12 billion a year to help pay for the National Insurance cuts they are offering to voters.

What makes up Social Security in Scotland?

Social Security is a term that describes government programs designed to provide financial support to individuals at various stages of life, such as retirement, disability, and periods of unemployment. At the UK level, this can generally be referred to as welfare spending. The payments that individuals and households receive in Scotland come from a number of different bodies, such as HMRC, DWP, Social Security Scotland, and even directly from local authorities.

Broadly, though, we can categorise the main payments that people receive into 2 categories: those that are reserved (so in the control of the UK Government) and those which are devolved (and so in control of the Scottish Government).

Reserved (total £18.3bn in 2022-23)

- State Pension
- Universal Credit
- Pension Credit
- Employment & Support Allowance
- Bereavement Support
- Job Seekers Allowance
- Income Support
- Child Benefit
- Tax Credits

Devolved (total £4.5bn in 2022-23)

- Adult Disability Payment (Replacement for UK's Personal Independence Payment)
- Best Start Foods (Replacement for UK's Health Start Vouchers)
- Best Start Grant (Replacement for UK's Sure Start)
- Carer's Allowance Supplement (new devolved benefit introduced to top up carer's allowance to the level of job seeker's allowance)
- Child Disability Payment (Replacement for UK's Disability living allowance for children)
- Child Winter Heating Assistance (additional payment for those receiving the highest level of CDP)
- Council Tax Reduction
- Discretionary Housing Payments (devolved since 2017 to mitigate the "bedroom tax")
- Employability Services (was Fair Start Scotland, now No One Left Behind)
- Employment Injury Assistance (Replacement for UK's Industrial Injuries Disablement Scheme)
- Funeral Support Payment (Replacement for Funeral Expenses Payment)
- Pension Age Disability Payment (Replacement for UK's Attendance Allowance)
- Pension Age Winter Heating Payment (Replacement for UK's winter fuel payment)
- Scottish Adult Disability Living Allowance (Replacement UK's Disability Living Allowance)
- Scottish Carer's Assistance (Replacement for UK's Carer's Allowance)
- Scottish Child Payment (new devolved benefit)
- Scottish Welfare Fund (Replaced elements of the UK's Social Fund which was devolved in 2013)
- Severe Disablement Allowance (legacy benefit which has been closed to new entrants since 2011)
- Winter Heating Payment (Replacement for UK's cold weather payment)

The largest tranche of social security powers was devolved as part of the Scotland Act 2016, with the only exceptions being Council Tax Reduction, Scottish Welfare Fund and Discretionary Housing Payments which were devolved before this date. Despite these powers being legally devolved in 2016, though, it has taken many years for these to be functionally devolved, and people are still being transitioned onto these new devolved benefits.

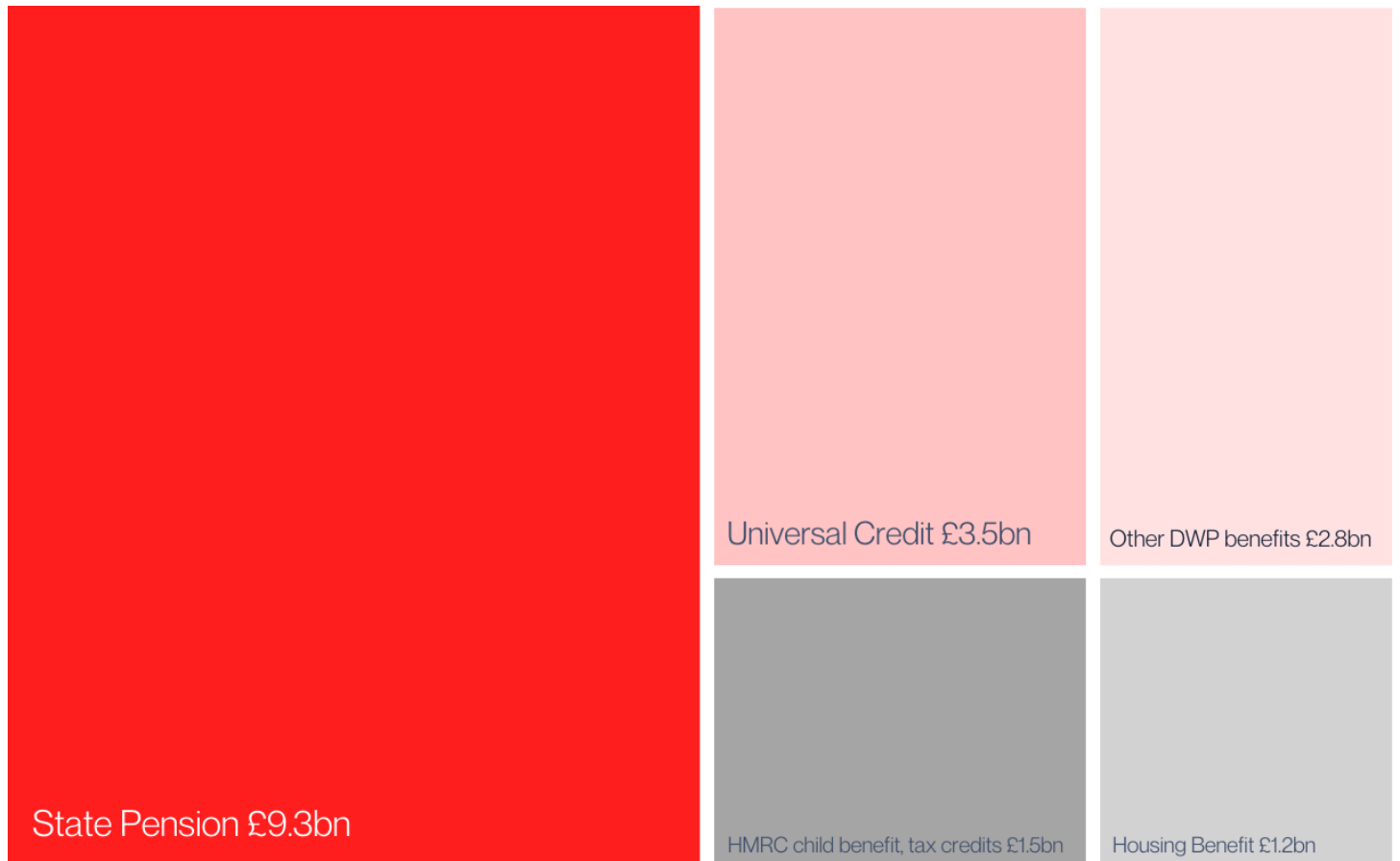
There was a new power as part of Scotland Act 2016 which allowed the Scottish Government to create new benefits, which they have most notably used to create the Scottish Child Payment. This is a payment of £25 (now uprated to £26.70) per week for each child in qualifying low-income households. To qualify, households must be in receipt of one of the following reserved benefits:

- Universal Credit

- Child Tax Credit
- Working Tax Credit
- Income Support
- Pension Credit
- income-based Jobseeker's Allowance
- income-related Employment and Support Allowance

This is an interesting situation, where a fully devolved benefit's eligibility is determined by being in receipt of reserved benefits. There may be issues in the future if there are changes to any of the above reserved benefits.

Reserved Social Security Spending £18.3bn



Devolved Social Security Spending £4.5bn



Source: *Government Expenditure and Revenue Scotland*

Both Scotland and the UK face projected rises in social security spending over the next five years. These increases are partially driven by higher projected spending on disability benefits.

As of late last year, OBR projections of spending on the disability benefits administered by the DWP in the UK showed an 80% rise from 2022-23 to 2028-29. Similar SFC projections for Scotland show spending on devolved disability benefits rising by about 90% over the same period.

How do devolved and reserved benefits interact?

Some recent announcements have highlighted issues regarding the interaction between devolved and reserved benefits.

For example, in March 2023, the UK Government announced in the Budget that the Work Capability Assessment (which determines a premium for Universal Credit for disabled people) would be abolished and the existing assessment for receipt of Personal Independence Payment (PIP) would be used instead as a passport. This was not to come into force until the next parliament, so has not been implemented to date.

UK-wide, there is a question of how to deal with the fact that somewhere close to a million people who get this premium currently are not PIP claimants.

In Scotland, though, it gets even more complicated. As we have set out above, PIP is being replaced by Adult Disability Payment (ADP). If ADP has more generous eligibility criteria than PIP, then there is a question of whether this can also be used to passport claimants onto the higher UC premium. As in the rest of the UK with non-PIP claimants, there is also a question of how passporting will work for non-ADP claimants in Scotland.

The UK Government built on this in the Autumn Statement with measures like the expansion of the Individual Placement and Support Scheme and the Restart Scheme to get people back into the labour force. These were presented as potential help to avoid sanctions in Universal Credit Payments. These measures generated Barnett consequentials, meaning that they are devolved responsibilities in the Employability space.

The Scottish Government could choose to spend the additional funding on other initiatives and not to expand the devolved Scottish employability system to match this additional support. Meanwhile, sanctions could still be applied to reserved benefits for recipients in Scotland.

These may seem like detailed points, but they illustrate the complexity of the devolved/reserved split in social security policy measures. We have not seen any clarifications on these points since these fiscal events from either the UK or Scottish Governments.

What have the parties said about Social Security so far?

Prior to their manifesto being published, the Labour Party has confirmed they will not get rid of the two-child cap and the welfare cap. Parties such as the SNP and the Liberal Democrats, on the other hand, support an end to both. The Labour manifesto also committed to a review of Universal Credit, although we do not yet have details on what such a review would entail.

The Conservatives have focussed on reducing the welfare bill through reforming work capability assessments, providing more help to get people into work, an overhaul of the fit note system, and toughening up sanctions on people who have been on benefits for over 12 months. Some of these measures have been announced by the UK Government in recent fiscal events, so the Conservatives have been able to refer to OBR estimates of the effects of these policies on welfare spending.

Reform have called for a rule that job seekers and those deemed fit to work must find employment within four months or accept a job after two offers. They are also seeking a requirement for face-to-face PIP assessments to encourage coaching people back into work.

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