Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru

Administering social security in Wales

Evidence on potential reforms

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Summary

- This note summarises our findings from a rapid review of evidence and expert opinion related to the devolution of the administration of social security in Wales, on behalf of the Welsh Government.

- In examining the evidence we have suggested that any assessment of the potential advantages and risks of devolving the administration of social security should address four key questions:

    - What outcomes would the devolution of administration of social security be designed to achieve?

    - What aspects of the current arrangements for administering social security prevent the achievement of these outcomes?

    - How could those aspects of social security be changed in order to achieve these outcomes?

    - What are the legal and fiscal implications of the changes that would be needed and what other factors would need to be considered?

- The distinction between the policy and administration of social security is ambiguous, and not a helpful guide for the exploration of potential benefits and risks of further devolution. Not least because aspects of what could be called administration are enshrined in primary legislation.

- We argue that the first step should, therefore, be to articulate desired outcomes from any change to the current system.

- From this it is possible to explore how the current system needs to change, and to start to design options, which can then be analysed in more depth.

- We have found several different models for adapting or reforming the current social security system which could inform thinking in Wales. Each seeks to achieve different aims and would have different implications for the devolution settlement.

- Our work to date shows that there is much to be learnt from wider experience, particularly developments in Scotland and Greater Manchester.

- We hope that this preliminary analysis helps to inform further discussions about additional analysis and evidence related to devolving the administration of social security in Wales.

Introduction

The First Minister has asked the Wales Centre for Public Policy to assess the issues that would need to be taken into account in order to determine the desirability and feasibility of devolving some aspects of the administration of social security[1] in Wales. This note summarises our findings from a rapid review of existing evidence (though there is limited published evidence on this subject), meetings and correspondence with officials, and conversations with a number of experts.

We conclude that an assessment of the advantages of and risks associated with devolving the administration of social security should address four key issues:

1. What outcomes would the devolution of administration of social security be designed to achieve?
2. What aspects of the current arrangements for administering social security prevent the achievement of these outcomes?
3. How could those aspects of social security be changed in order to achieve these outcomes?
4. What are the legal and fiscal implications of the changes that would be needed and what other factors would need to be considered?

The remainder of this report provides context on the current social security system across the UK before exploring these four questions in detail. Our hope is that this preliminary analysis helps to inform discussion about additional analysis and evidence related to devolving the administration of social security in Wales.

This report was conducted around the same time as the Equality, Local Government and Communities Committee inquiry *Benefits in Wales: Options for better delivery* (2019a) and where appropriate draws on that report. While our report covers similar territory to the Committee's work, seeking to outline the range of possible approaches that could be taken to reforming the way social security is currently administered in Wales, it differs in that it does not focus on specific benefits, and does not recommend which approaches should be taken.

[1] The terms 'welfare' and 'social security' are often used interchangeably. We use the term 'social security' on the advice of experts we've consulted. For more on language, see Lister (2013).

Social security in the UK

As of November 2016[2], 11.3% of the Welsh working-age population claimed out-of-work benefits, a higher proportion than in England (8.1%) and Scotland (10.3%) (Stats Wales, 2017). In Wales social security is currently reserved to the UK Government, with the exception of some benefits (discussed in more detail below under 'What are the legal implications?').

In Northern Ireland social security is fully devolved. However, in practice, parity with the UK Government's approach to social security has generally been adopted because any divergence has to be negotiated between the responsible Minister in Northern Ireland and the Secretary of State in UK Government (Northern Ireland Act 1998, s87), and because Northern Ireland has to fund any changes. For example, when the Northern Ireland Assembly did not immediately pass an equivalent of the Welfare Reform Act in 2012, it had to pay millions to the UK Government to cover the difference in the cost of social security provision. Northern Ireland has, however, put in place a policy of 'parity plus' since 2016: £501m towards 'mitigations' against aspects of welfare reform, effective until March 2020 (Department for Communities, 2019a). This is discussed in more detail below.

In 2014 the Silk Commission recommended that social security continue to be reserved to UK Government because it is part of the UK's 'social union' and because the financial risks of devolving social security were considered too great (Silk Commission, 2014). However, the Commission also recommended that if in future social security were devolved to Scotland, the situation in Wales should be reviewed.

The Scotland Act 2016 and the subsequent Social Security (Scotland) Act 2018 devolved further powers to the Scottish Government, including responsibility for 11 benefits which are not linked to National Insurance Contributions (NICs).[3] The Scottish Government also now has powers to top up reserved benefits and create new benefits in any area except where there is a connection to UK reserved matters, such as child support maintenance or reserved aspects of employment support (Scottish Parliament, 2017: articles 4 & 5). The Scottish Government had initially aimed to start to take new claims for all 11 benefit areas by May 2021, but this has now been delayed until 2024 (Somerville, 28 February 2019).

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[2] These data are no longer updated; statistics from 2016 are the most recent available, and therefore do not take into account the rollout of Universal Credit.

[3] These are: Personal Independence Payment (PIP) and Disability Living Allowance (DLA), Attendance Allowance, Carer's Allowance, Winter Fuel Payment, Industrial Injuries Disablement Allowance, Cold Weather Payment, Severe Disablement Allowance, Discretionary Housing Payment, Sure Start Maternity Grants, and Funeral Expenses, as well as some powers related to Universal Credit.

Since the devolution of social security in Scotland, there have been renewed calls to review the social security system in Wales. The Bevan Foundation (2016) recommended the devolution of a range of working-age benefits on the grounds that this would improve outcomes for the people of Wales. Analysis by the Wales Governance Centre suggested that the Welsh Treasury could benefit considerably from the devolution of certain benefits (Ifan and Sion, 2019). The Equality, Local Government and Communities Committee recently conducted an inquiry into Benefits in Wales: Options for better delivery (Equality Local Government and Communities Committee, 2019a).

‘Administration’ versus ‘policy’

In the case of social security, policy is not easily distinguishable from administration. Aspects of the current system that might be considered to be ‘administration’ are in fact included in legislation, and are central to the achievement of UK Government’s policy objectives. For example, legislation requires that Universal Credit is generally (with the exception of those eligible for Alternative Payment Arrangements[4]) paid monthly (UK Government, 2013: section 47). This is because Universal Credit is designed to ‘prepare claimants for the world of work in which 75% of employees are paid monthly’ (Department for Work & Pensions, 2019). Because payment frequency is set out in legislation, the Scottish Government was able to offer twice-monthly payments to all Universal Credit recipients only through enacting new legislation (Scottish Government, 2017), made possible with the additional powers the Scottish Government gained through the Scotland Act 2016. Thus what might be considered an administrative decision – the timing of payments – is in fact set out in policy in England and Wales. Primary legislation would therefore be required to change the payment frequency of Universal Credit in Wales. Without such legislation, treating citizens in England and Wales differently could leave the UK Government open to judicial review.

Because of this the distinction between policy and administration would likely be contested and form an important part of any negotiation between the Welsh Government and the UK Government about the devolution of social security.

[4] Alternative Payment Arrangements are available to certain claimants needing ‘additional support’ and include more frequent than monthly payments, split payments to different partners in a household, and direct payment of housing elements of Universal Credit to landlords (Department for Work & Pensions, 2019).

Key questions on devolving the administration of social security in Wales

The Wales Centre for Public Policy has identified four key issues related to devolving the administration of aspects of the social security system in Wales:

1. What outcomes would the devolution of administration of social security be designed to achieve?
2. What aspects of the current arrangements for administering social security prevent the achievement of these outcomes?
3. How could those aspects of social security be changed in order to achieve these outcomes?
4. What are the legal and fiscal implications of the changes that would be needed and what other factors would need to be considered?

1. What outcomes would the devolution of administration of social security be designed to achieve?

We suggest that the starting point for any assessment of whether the administration of social security in Wales ought to be devolved should be to identify the desired outcomes to guide decisions about what might need to change. An alternative approach is to specify some underlying principles that can guide the design and/or implementation of the administration of social security.

Much of the recent debate on social security has centred on the impact of Welfare Reform introduced under the UK Coalition and Conservative Governments (Welfare Reform Act 2012; Welfare and Work Act 2016). Recent analysis of reforms announced between 2010 and 2018 suggests that they will result in households in Wales losing 1.5%, or £480 a year, of their net income on average; those households with the lowest incomes and with children (especially three or more) are expected to lose considerably more, up to £4,110 a year (Welsh Government, 2019: 9). An outcome-focused approach to devolving social security might be driven by a desire to mitigate the impact of this decline in household income.

A set of principles can help to articulate desired outcomes. The Welsh Government has already begun to outline some core principles upon which the administration of social security in Wales could be based. These include compassion, fairness, respect, dignity and understanding, with the aim of taking a more citizen-centred, humane approach (Equality, Local Government and Communities Committee, 2019b).

Citizens Advice (Hobson, 2019) has identified three principles which it suggests should underlie any social security system:

1. A system accessible to all who need it.
2. An adequate level of benefit that securely covers the cost of living.
3. Flexibility to help people live fulfilling lives, regardless of their situation:
    a. Straightforward and easy for everyone to use.
    b. Addresses complex individual needs.
    c. Able to respond to changing individual and local need.

In Scotland, the Social Security (Scotland) Act 2018 is based on eight principles relating to social security as a human right. These principles are underpinned by 'Our Charter' (Social Security Scotland, 2019a), which was developed in consultation with people with direct experience of claiming social security, organisations that help or represent people accessing social security, and Scottish Government and Social Security Scotland (the new agency established to deliver benefits in Scotland).

Similarly, in Wales the Welsh Revenue Authority has worked with taxpayers, their representatives, and the Welsh public to produce 'Our Charter', setting out the values, behaviours, and standards guiding its work, which includes values of fairness and respect (Welsh Revenue Authority, 2018). The Well-being of Future Generations (Wales) Act 2015 might also offer a useful frame for an articulation of principles and desired outcomes in Wales. A gender perspective on these principles and outcomes could be informed by the Wales Centre for Public Policy's and Chwarae Teg's work on the Gender Equality Review (Parken, 2018; Davies and Furlong, 2019; Taylor-Collins and Nesom, 2019).

As part of its inquiry into devolving social security in Wales, the Equality, Local Government and Communities Committee has recommended that a set of principles to underpin a 'Welsh benefits system' (covering all means-tested benefits for which the Welsh Government is currently responsible) is coproduced with social security claimants and the wider Welsh public (Equality, Local Government and Communities Committee, 2019a: 37).

2. What aspects of the current arrangements for administering social security prevent the achievement of these outcomes?

Once the desired outcomes have been defined, these can be used to identify which aspects of the current system are preventing the achievement of them. This will involve identifying which benefits are of interest and assessing current approaches to administering those benefits.

Identifying benefits

This process will first need to identify which benefits could be administered differently and which could not. In Scotland, the selection of devolved benefits was a pragmatic rather than an ideological decision: only those which are not associated with National Insurance Contributions (NICs) have been devolved. This is likely to be because NICs – which fund certain benefits such as the State Pension – are not devolved to Scotland, and are paid into the National Insurance Fund, which is effectively underwritten by the UK's Consolidated Fund. As such NICs would need to be devolved to Scotland in order for the benefits associated with them to be devolved as well, and doing so could put Scotland at risk of losing the safety net provided by the Consolidated Fund (Hazell, 2015: 18).

In Wales, the Equality, Local Government and Communities Committee (2019a: 10) has ruled out (at present) the devolution of the entire welfare system, Universal Credit in its entirety, and all sickness and disability benefits, because of the 'complexity of such devolution, the financial implications, and the risk involved in such major scale change to the welfare system'.

The Bevan Foundation (2016) suggests adopting some key principles in deciding which benefits ought to be devolved:

- Whether the benefit is cyclical (i.e. changing with the economic cycle);
- Whether it fits well with devolved functions; and
- Whether it is place-related (i.e. reflective of local conditions).

The IPPR adds to this considerations of the impact of devolving benefits on economic growth and performance, the pooling of risk across the UK (which is what we understand reference to the 'social union' to mean), and on the UK's single market (Lodge and Trench, 2014: 8).

Added to this is a concern that the way some benefits are currently administered can undermine Welsh Government policies and Welsh legislation, such as the Well-being of Future Generations Act (2015) (Bevan Foundation, 2018) and the Welsh Government's responsibility for areas such as housing. On this basis, the Bevan Foundation argues that

Housing Benefit (now part of Universal Credit), the Work and Health programme, and responsibility for job seekers' benefits and services for unemployed 16-24 year olds should all be devolved.

Citizens Advice collects data on the requests for advice it receives, which may also be a useful source of evidence to help identify the benefits of interest. For instance, the most common requests for advice to Citizens Advice Cymru in the 12 months prior to April 2019 were related to Personal Independence Payments (PIPs) – specifically, making and managing a claim and queries related to eligibility were the most common topics (Citizens Advice, 2019). Further work to understand whether these queries relate to how PIPs are currently administered could highlight potential improvements to the system.

Another way of identifying benefits could be to focus on the groups most affected by social security reform in Wales: those on the lowest incomes, disabled people, certain ethnic groups, and women, as well as groups experiencing multiple disadvantages (Welsh Government, 2019).

Assessing current approaches

It is also necessary to understand how each individual benefit in scope is currently administered in Wales before identifying any potential new models for administration. This will also help to identify whether the current approach to administering some of these benefits already meets the desired outcomes, or is the 'least bad' option available. It may be that for some benefits the current approach is already the best available.

3. How could those aspects of social security be changed in order to achieve these outcomes?

There are several potential options for reforming social security in Wales. The key options we have identified are highlighted below with examples:

- Taking a more effective and consistent approach to administering benefits;
- Providing alternative or enhanced support to people;
- Increasing take-up of benefits;
- Providing alternative or enhanced training to those administering benefits;
- Topping up existing benefits; and
- Redesigning existing benefits or creating new benefits.

In line with the principles outlined above (Equality, Local Government and Communities Committee, 2019b), each of these reforms could entail a social security system that is more generous than at present, and with that comes fiscal implications, as discussed below under Question 4.

Further work will be needed to determine which of these changes might count as 'policy' and which could be considered as 'administration' (and the legal implications of that). This is addressed below under Question 4.

Any evaluation of alternative models of administering social security will need to be taken into account. At this stage it is too early to tell what impact the changes Scottish Government has introduced under the Social Security Act (Scotland) 2018 have had, though there may be some anecdotal evidence available.

Taking a more effective and consistent approach to administering benefits

Several benefits, such as the Council Tax Reduction Scheme, the Discretionary Assistance Fund, Discretionary Housing Payments, and the Pupil Development Grant – Access (PDG Access), are already administered by the Welsh Government or local authorities in Wales. Whether improvements can be made to the way these benefits are already administered, such as in terms of how consistent approaches are across different local authorities, may be worth investigating. Work has previously been done with councils in Wales and the Welfare Reform Club to create 'flexible but robust criteria that led to a better allocation of scarce Discretionary Housing Payment resources', for instance (Ghelani, 2016).

This links to one of the recommendations in the Equality, Local Government and Communities Committee inquiry that a 'coherent package of Welsh benefits' ought to be created (Equality, Local Government and Communities Committee, 2019a: 37). The Bevan Foundation is currently exploring a similar issue in relation to support schemes for low-income families. They have highlighted potential problems with the variation in approaches across Wales to administering Free School Meals and PDG Access. For instance, they find that the PDG Access in most authorities is provided by the council, but in others it is provided by schools, raising concerns that school provision could result in problems for families such as wanting to claim out of term time (Bevan Foundation, 2019: 8).

Beyond Wales, officials in the Greater Manchester Combined Authority (GMCA) are exploring how they can maximise the powers already in place to mitigate negative aspects of welfare reform, such as by delivering more effective and consistent local welfare schemes for citizens across the 10 local councils in the GMCA.

Providing alternative or enhanced support to people

Providing alternative or enhanced support to those claiming benefits may help to address challenges with the current system. There are a number of examples already in existence in Wales, such as the in-house support services provided by social landlords to help Universal Credit claimants (Opinion Research Services, 2019: 39), and the £8.04m allocated through the Welsh Government's Single Advice Fund to provide social security advice services in 2020, partly in response to Welfare Reform in the UK (Hutt, 2019). Since 2016 an additional £8m has been invested in independent advice services in Northern Ireland to support people through welfare reform, including setting up an Independent Welfare Changes Helpline (Department for Communities, 2019a: 60) and recruiting advisers to help claimants on DLA complete claims for PIPs.

Research by Citizens Advice found that applying for benefits online was difficult for those without access to a computer and without digital skills (Hobson, 2019), a finding highlighted in DWP-commissioned research with Universal Credit applicants, which found that almost a third found it difficult to register their claim online (Department for Work & Pensions, 2018a: 35). Citizens Advice recommends that the government address these challenges through simpler processes and additional support (Hobson, 2019). Programmes in Wales such as Digital Communities Wales aim to address digital inclusion (Welsh Government, 2018).

Providing alternative or enhanced support might also mean considering whether existing support for those accessing different benefits could be more joined-up to make the process simpler for claimants (Shelter Cymru, 2013: 33).

Increasing take-up of benefits

The DWP estimates that in 2016/17, almost £10bn of available Pension Credit, Housing Benefit, and Income Support/Income-related Employment and Support Allowance went unclaimed (Department for Work & Pensions, 2018b: 3). A lack of awareness about benefits might result in under-claiming, and as such changes to the way benefits are administered could also involve further campaigns to increase uptake. A campaign to increase take-up of benefits in Wales is recommended by the Equality, Local Government and Communities Committee inquiry (2019a).

Providing alternative or enhanced training to those administering benefits

Providing alternative training for DWP staff or others administering benefits or benefit support is another way of seeking to change the way that benefits are administered. For example, Oxfam Cymru and the DWP worked in partnership to deliver evidence-informed poverty awareness training for DWP frontline staff in Wales (Scullion et al., 2017: vii), and Cymorth Cymru has been funded by the Welsh Government to train those in the housing and homelessness sector in trauma-informed approaches, with the aim of preventing homelessness (Cymorth Cymru, 2018).

Topping up existing benefits

Scotland has recently introduced the Carer's Allowance Supplement, an additional payment for those claiming Carer's Allowance. It is designed as a temporary supplement until the Scottish Government replaces Carer's Allowance with a new benefit (Citizens Advice, no date).

In Northern Ireland, Welfare Supplementary Payments were introduced in 2016 (costing £501m) as a package of support aiming to undo what were seen as the most significant negative impacts of welfare reform. These are to cover some or all of what people lost because of the following:

- The Benefit Cap;
- The time-limiting of Contributory Employment and Support Allowance;
- The move to PIP for DLA claimants. A Northern-Ireland specific supplement was also paid to anyone claiming PIP because of Troubles-related injuries;
- Changes to Carer's Allowance, if the person for whom they care is unsuccessful in transitioning from DLA to PIP;
- The Social Sector Size Criteria (the 'Bedroom Tax' or 'under-occupancy penalty'); and
- Elements of the discretionary Social Fund (replaced by the Discretionary Support Scheme in Northern Ireland).

Redesigning existing benefits or creating new benefits

In Scotland the Sure Start Maternity grant has been replaced with the Best Start grant. This provides families with additional money, does not limit the number of children supported per family, and gives families longer to apply (Social Security Scotland, 2019b).

Northern Ireland has Universal Credit flexibilities, which Scottish Government is also in the process of introducing as 'Scottish Choices', giving people the option of being paid twice a month instead of monthly, having the housing element paid directly to landlords rather than the claimant needing to do that themselves, and splitting payments between individuals in a couple.

Redesigning existing benefits could also involve changing eligibility requirements for certain benefits, as campaigners against the so-called 'rape clause' of Child Tax Credits have argued for (Welsh Women's Aid, 2017). It may also involve changing assessment processes for certain benefits, such as PIP.

4. What are the legal and fiscal implications of the changes that would be needed and what other factors would need to be considered?

Finally, the implications of each potential new approach to administration would need to be explored in detail. These include legal and fiscal implications, but there are also wider factors to be taken into account.

What are the legal implications?

Expert advice will be needed to determine which of the range of possible models would require changes in legislation. Detailed legislation related to social security in the UK means that even minor changes, which may be considered administrative rather than policy-directed, could require legislative change in order to implement them in Wales. A new Fiscal Framework was necessary in order for Scotland to gain its recent powers over social security (Scottish Government and HM Government, 2016), and all the Welfare Supplementary Payments introduced by Northern Ireland from 2016 required primary legislation. As discussed above, since some benefits are already administered by the Welsh Government or local authorities in Wales, it would be worth exploring whether the Welsh Government already has the ability to alter the way these benefits are administered without needing to seek further powers from the UK Government.

What are the fiscal implications?

Changes to the social security system in Wales may result in financial gain for the Welsh Government. For example, there could be projected savings to other areas of Welsh Government spend such as health and social care. Ifan and Sion (2019) have modelled the fiscal implications of the Welsh Government gaining control over the same range of benefits that are devolved to the Scottish Government. They conclude that the Welsh Government could gain considerably from the devolution of social security. However, they acknowledge that this would depend on:

- The details of the Fiscal Framework agreed;
- Who bears the administrative costs of any changes; and
- The reliability of the forecasts on which the calculations are based, including factors such as potential increases in claimant rates.

Under the Scottish Fiscal Framework, the Scottish Government carries the financial risks associated with increases in demand-led benefits or demographic changes (Scottish Parliament, 2017: articles 24-25, 31-33). Similarly, it carries the costs of reductions in under-claiming, and the associated costs of designing and printing publicity materials related to such campaigns or for advertising any changes.

The administrative costs required to set up a new agency, similar to the new Social Security Agency in Scotland, are significant. Under the Scottish Fiscal Framework, the UK Government provided an initial £200m to cover the implementation of all new powers (social security being one), and a baseline transfer of £66m to cover ongoing administrative costs. However, these payments, though considered a ‘fair financial settlement in the context of the wider flexibilities delivered by the Fiscal Framework’, do not represent the full costs of implementation and administration (Scottish Parliament, 2017: article 51). As implementation is ongoing and has been subject to delays, the total costs are unknown.

The Scottish Government is responsible for covering any additional administrative costs, as well as additional costs related to Scottish Choices, new benefits, and benefit top-ups (Scottish Government and HM Government, 2016: articles 33-34). In the case of Scottish Choices, there have been both up front and ongoing transfers from Scottish Government to DWP associated with its implementation, including:

- An initial £0.5m to cover the costs of changing IT systems and training staff to use them; and
- Ongoing operational costs totalled at around £115,000 between October 2017 and December 2018 for processing individual cases (Scottish Parliament, 2018: 15).

Related to this are the potential costs of linking up data on social security if benefits are delivered by different bodies. In the case of topping up benefits, one agency paying a benefit and another paying a top-up to that benefit would mean both agencies needing access to data on claimants' personal details and household circumstances (Spicker, 2015: 23).

It is also worth recognising that opening negotiations with the UK Government over the devolution settlement would require resources from within the Welsh Government. Experience from Scotland suggests that additional staff (and potentially new capabilities) would be required, not just in preparing for and participating in the negotiation over the settlement, but on an ongoing basis (negotiations in Scotland are continuing as it implements new powers).

Finally, if the desired outcome in Wales were to mitigate the financial loss experienced by households under the current system, success would result in increased costs to the Welsh Government; the modelling work by Ifan and Sion (2019) does not account for this. The IPPR suggests that devolved governments' ability to pay for at least some of these costs through fiscal devolution – which the Welsh Government now has through new tax-raising powers – is a 'vital prerequisite' for the devolution of social security (Lodge and Trench, 2014: 3). However, previous work from WCPP suggests that the ability of the Welsh Government to raise substantial revenue through these new tax-raising powers is limited, given the nature of the existing Welsh tax base (Ifan and Poole, 2018).

What other factors would need to be considered?

The complexity of the social security system and its interaction with other functions of the state (especially the tax system) increase **the risk that any changes will lead to unintended consequences**.

For example, in Northern Ireland it was found that while fortnightly payments of Universal Credit may be better for people in the long-term, they can have a negative impact on people in the first weeks of their claim: ‘Claimants receive their first payment five weeks after they submit their claim to Universal Credit. In Great Britain, claimants will receive their full monthly amount at this point. However, Northern Ireland claimants will receive 50% of their full monthly amount after five weeks, with the second twice monthly payment two weeks later’ (Department for Communities, 2019b: article 48).

Changes to the administration of one benefit could interact with other (reserved) benefits. For example, some benefits ‘passport’ people to other benefits, and top ups to one benefit could affect eligibility for others. Any interaction effects would need to be considered and possibly mitigated. Under the Fiscal Framework in Scotland, new benefits or top-up payments provided by the Scottish Government must provide additional income for people, and may not therefore affect their entitlements to other benefits (Scottish Government and UK Government, 2016: article 89).

Similarly, it will be important to consider the interaction with the tax system. If any top-up payments or new benefits are taxable, this can significantly affect the amount claimants receive. For example, Northern Ireland planned to provide supplementary payments to low-paid workers, but these would have been treated as taxable income by HMRC, meaning almost half of what the Northern Irish Government was paying to fund these benefits would have been returned to HMRC in the form of tax, and people may have lost out on Working Tax Credits. As such, these payments were not implemented (Department for Communities, 2019a: 13).

A phased implementation of any changes (along with an accompanying phased funding transfer), as is currently in progress in Scotland, would be one way to ‘de-risk’ the process (Scottish Parliament, 2017: article 9).

Any new or existing agency’s ability to cope with **changing and uncertain demand for services** will need to be accounted for – especially the possibility that there is an influx of new claims or inquiries related to benefit changes. This was, for example, a challenge faced in Scotland when the Best Start grant launched. In the first three months Social Security Scotland received 16,490 applications for its new Best Start grant (Social Security Scotland, 2019a: 2). The implications for advice services should also be considered, since changes are likely to lead to additional requests for information and support.

The longer-term implications for what some have termed the **social union** should also be considered, by which we mean the implications for the pooling and sharing of risk and resources across the UK. Further work is needed to explore fully whether and how the social union would be affected by any further devolution of social security. One dimension to this will be the potential impact on inequality within Wales and across the UK. There are competing theories about whether fiscal decentralisation increases inequality – for instance, by reducing inter-regional redistribution (Kessler and Lessmann, 2010) – or decreases inequality, for example by better matching policies to citizens' needs and preferences (Oates, 1972). Empirical evidence on OECD countries is also mixed, with some suggesting that generally fiscal decentralisation reduces inequality (Sorens, 2014; Bartolini, Stossberg, and Blöchliger, 2016), and others that it has an ambiguous and potentially negative effect on inequality (Dougherty and Akgun, 2018), depending on context and how decentralisation is implemented. Further Wales-specific analysis would be needed in order to understand the potential impact of fiscal decentralisation on Wales.

Finally, any further devolution of powers is likely to drive a **change in public expectations** of the Welsh Government. One element of this might be pressure to introduce further changes to social security. In Scotland, the Child Poverty Action Group (CPAG) lobbied the Scottish Government to top up child benefit by £5 per week through its 'Give me 5' campaign; CPAG sees itself as influential in the Scottish Government's recent announcement of a new Scottish Child Payment (Graham, 2019).

Conclusions

This rapid evidence review highlights several key considerations in assessing whether and how aspects of the administration of social security could be devolved in Wales. We suggest that this assessment should address four key issues, in turn:

1. **What outcomes would the devolution of administration of social security be designed to achieve?** This can be used to guide decisions about what changes could be made, and can be articulated through a set of core principles underpinning a Welsh approach to social security.
2. **What aspects of the current arrangements for administering social security prevent the achievement of these outcomes?** Guided by the outcomes of interest in Question 1, the benefits that are in scope for reform should be identified before an assessment of how those benefits are currently administered can be carried out.
3. **How could those aspects of social security be changed in order to achieve these outcomes?** There are a number of ways that aspects of the system can be changed: taking a more effective and consistent approach to administration; providing alternative or enhanced support to claimants; increasing benefit take-up; providing alternative or enhanced training to those administering benefits; topping up existing benefits; and redesigning existing benefits or creating new ones.
4. **What are the legal and fiscal implications of the changes that would be needed and what other factors would need to be considered?** Along with the legal and fiscal implications of devolving aspects of the administration of social security, other factors which ought to be considered in any assessment include the risks of any unintended consequences, changing and uncertain demand for services, the impact on the pooling and sharing of risk and resources across the UK (the 'social union'), and potential changes in public expectations of the Welsh Government.

We hope that the evidence gathered in this review can helpfully frame expectations about the process of devolving the administration of benefits in Wales, and the potential risks and opportunities associated with doing so.

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