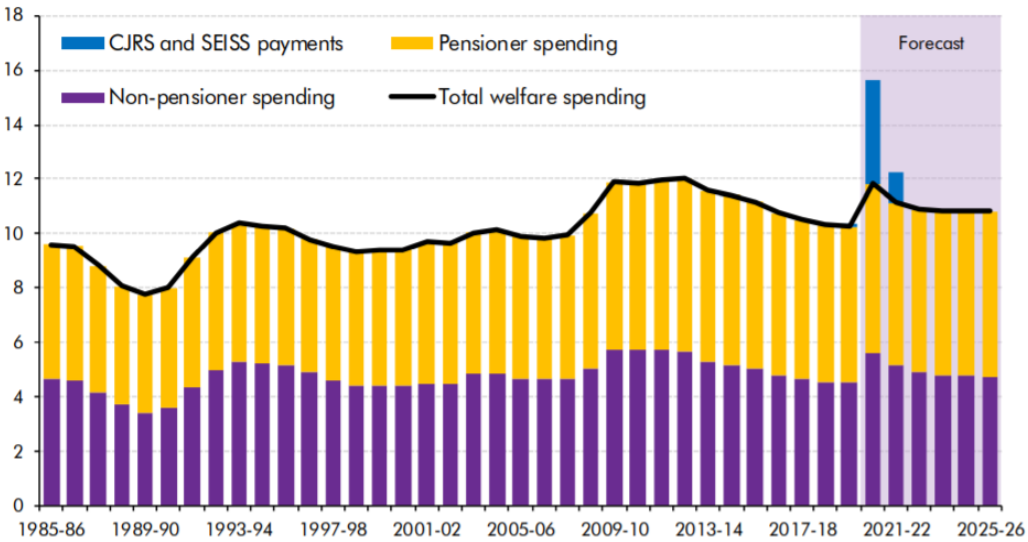


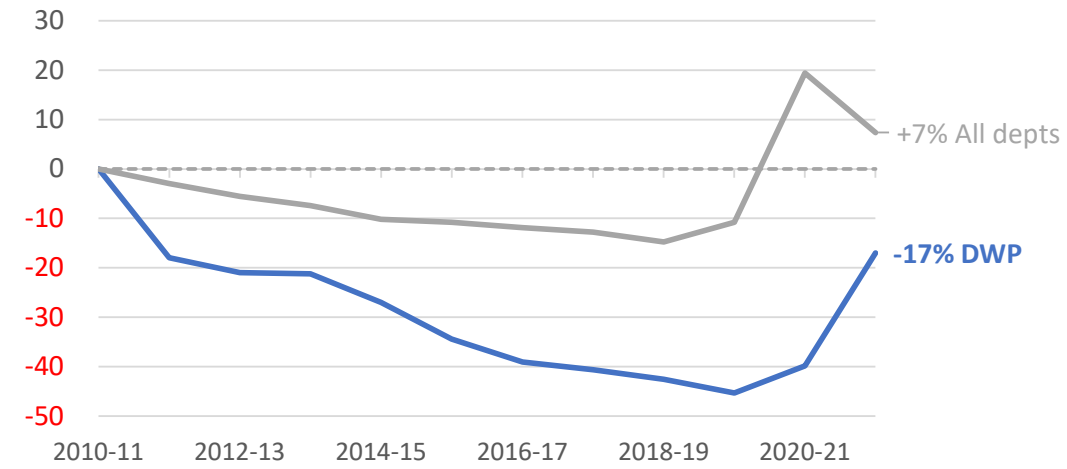
# Department for Work and Pensions (DWP)

# Long-term trends in DWP's spending

Welfare spending as a share of GDP over time:



Note: Scottish welfare BGA has been added in forecast years to show on an equivalent basis with outturn years.  
Source: DWP, OBR



# Welfare spending as a share of GDP

- At 11.8 % of GDP in 2020-21, welfare spending falls short of the levels it reached between 2009-10 and 2012-13 as a result of the financial crisis.
- The blue bars for this year and last show what would be the effect of including the furlough and self employed support schemes as welfare
- These are equivalent to an additional 3.8 % of GDP of welfare-like spending. If these are added to the conventional definition of welfare spending in the UK the total would be well above anything previously seen in the post-war period

# Day-to-day spending within Departmental Expenditure Limit (real terms trend)

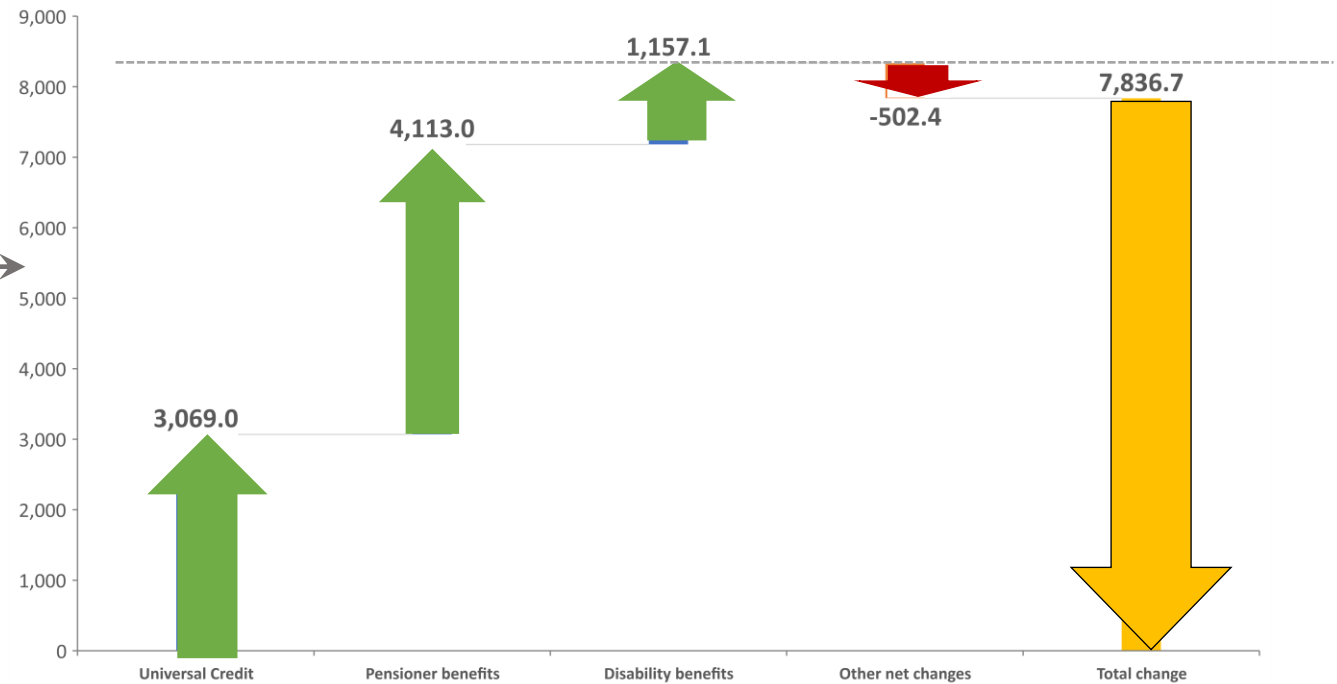
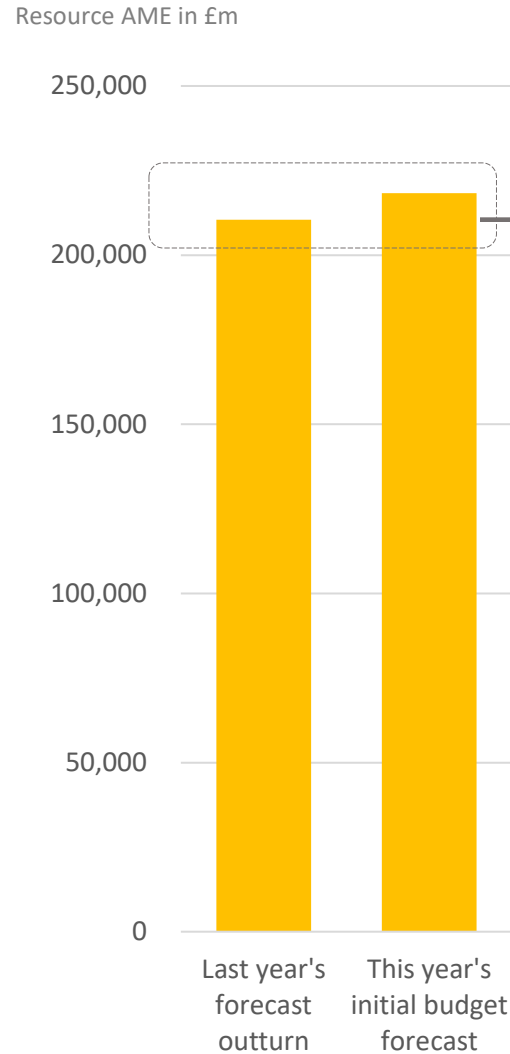
- DWP's running costs were reduced significantly after 2010, with the department shedding many thousands of jobs
- This trend was reversed from 2020-21 as the department responded to the impact of Covid, increased claimant rates, and began to take on 13,500 new work coaches

# How is DWP's spending on benefits and pension forecast to change in 2021-22?

DWP's benefits and pension spending forecast increases by **£7,836 million (+3.7%)**

## DWP's spending rising faster than inflation

Changes in Resource AME forecast in £m for 2021-22 compared to 2020-21 forecast



### Changes in 2021-22

**Extra spending on Universal Credit:** This increase is primarily driven by increased caseload, increasing roll-out of Universal Credit and uprating of 0.5%. Caseloads are forecast to increase partly due to the continued roll out of Universal Credit replacing legacy benefits and also due to rising unemployment, which is forecast to peak at 6.5% in quarter four of this calendar year

**Pensions & pension credit:** The increase in State Pension of £4.1bn (4.1%) is due to a combination of demographic effects (an aging population resulting in increased caseloads) and uprating. The basic and new State Pension is being uprated by 2.5% (triple lock) & additional pension by 0.5% (CPI) in 2021-22

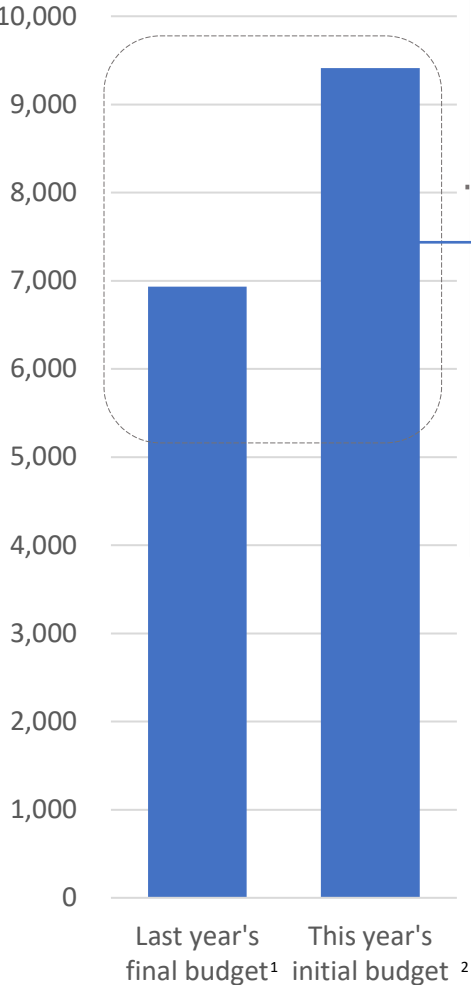
**Disability benefits** rise due to increasing average awards and caseloads in Personal Independence Payments (PIP), Disability Living Allowance (DLA) and Carer's Allowance, and an increasing average award in Attendance Allowance, as well as an increase in all benefits due to uprating of 0.5% in 2021-22. The increase in PIP is partially offset by a decrease in DLA

# How is DWP's day to day DEL spending changing in 2021-22?

DWP's day to day (DEL) budget is increasing by £2,479 million

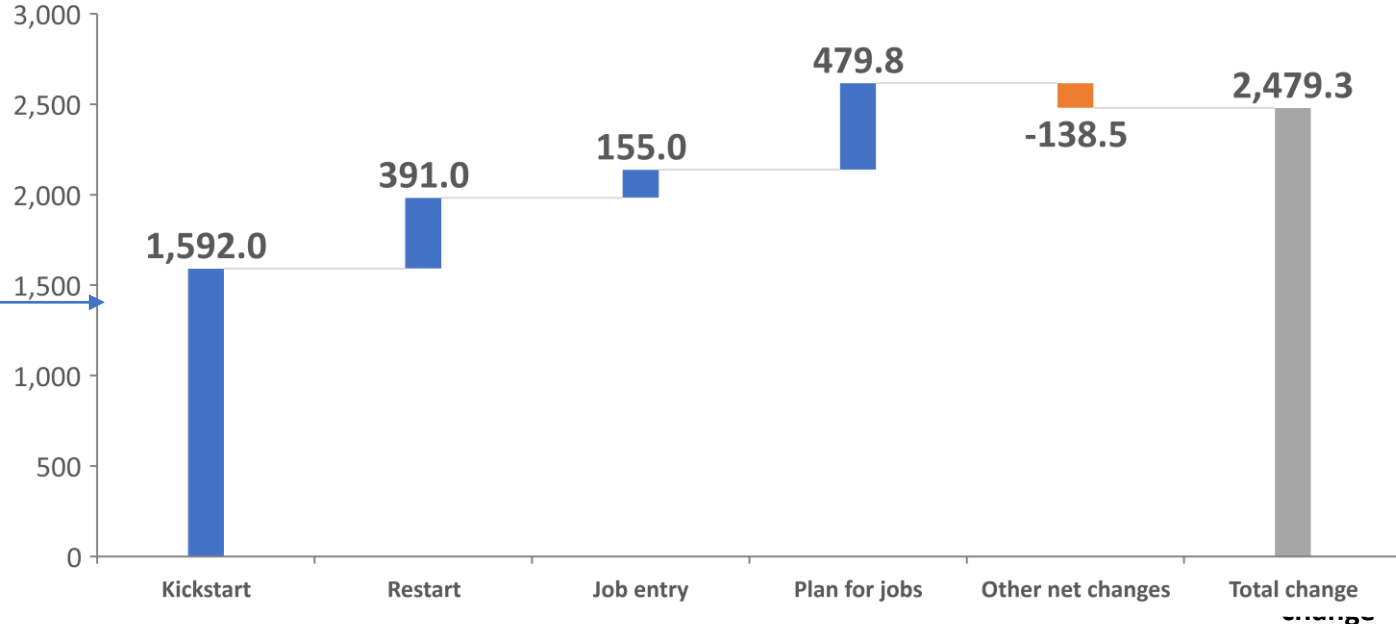
(+35.8%)

Capital DEL budget in £m



DWP's planned spending on administration and employments rising as a result of the pandemic

Changes in Investment (Capital DEL) budget in £m since final budget for 2020-21



### Changes in 2021-22

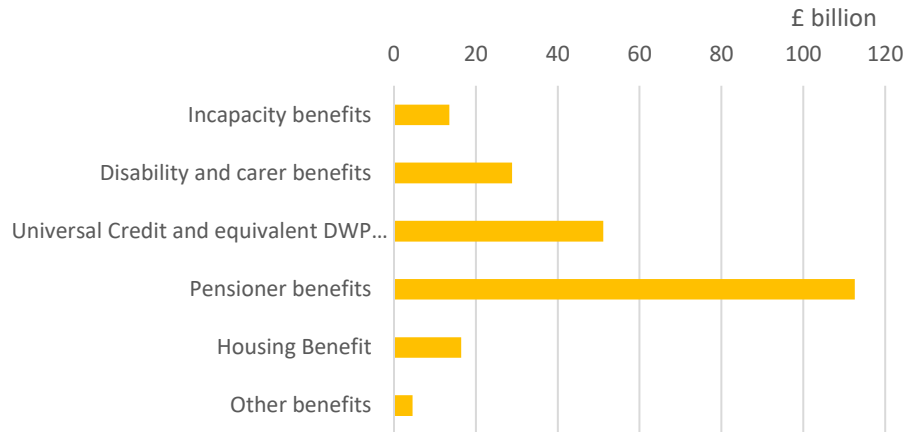
- £1.6 billion in **Kickstart** funding to deliver grant programme to encourage employers to employ 16-24 year olds at risk of long term unemployment
- **Restart provides** new funding of £0.4bn for a labour market initiative targeted to support people who have been unemployed between 12-24 months
- Additional funding of £0.5bn, over and above last years extra funding, to continue the work started in 2020-21 for the "**Plan for Jobs**" which includes additional staff resource and estates
- Other **Labour Market Measures** of £0.2bn to fund programmes such as Job Entry: Targeted Support, Youth Offer and Job Finding Support

<sup>1</sup> Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

<sup>2</sup> Initial Budget in Main Estimate 2021-22 (May 2021))

# Pensions and pension credit make up over half of DWP's spending on benefits

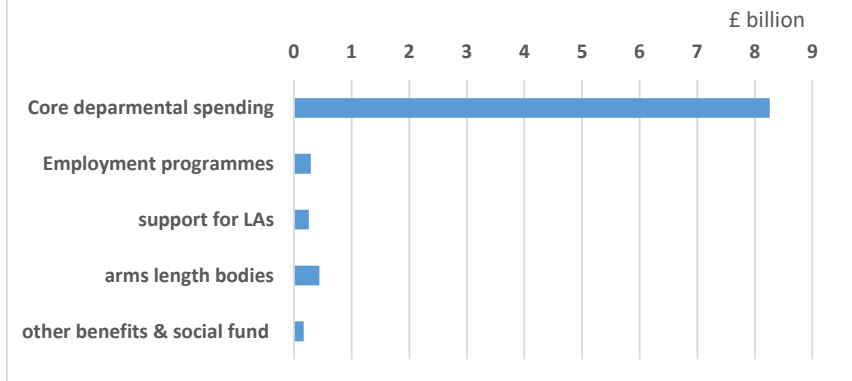
DWP forecast spending by benefit type, 2021-22



## Benefits and pension spending (Resource AME)

- Pensions and pension credit consume an ever growing share of welfare spend- due both to demographics and the triple lock
- Universal Credit spend increases as it subsumes legacy benefits including HMRC's tax credits
- The pandemic has also impacted upon claimant numbers, and the temporary uplift of UC rates to costs

DWP's day to day spending subject to a Departmental Expenditure Limit

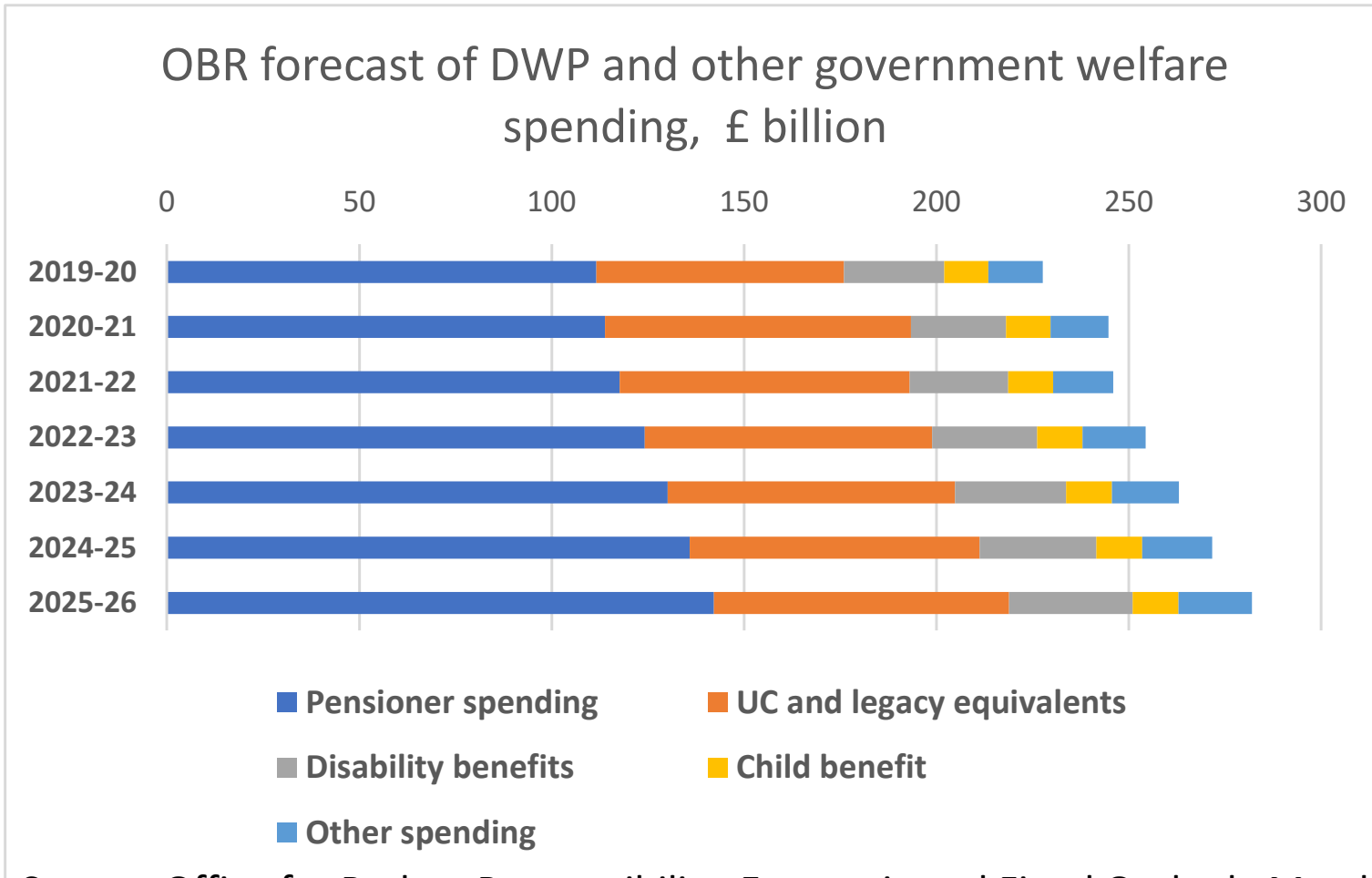


## Day to day spending in Departmental Expenditure Limit (DEL)

- The majority of DWP's spending within DEL relates to the costs of its staff, offices and IT, including the 13500 new work coaches
- DWP's total full time equivalent staff at April 2021 amounted to 81,823, compared to 68,941 in February 2020 (source [DWP workforce information](#))

\*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

## Welfare spending is forecast to continue to grow, reaching £286 billion by 2025-26



Source: Office for Budget Responsibility, Economic and Fiscal Outlook, March 2021

\*May involve day-to-day and investment spending over several years