



Work and Pensions Committee

House of Commons, London SW1A 0AA

Tel 020 7219 8976 Email workpencom@parliament.uk

From the Chair

8 August 2019

Rt Hon Boris Johnson MP
Prime Minister
10 Downing Street
London SW1A 2AA

Dear Prime Minister,

The Work and Pensions Committee recently took evidence on the role of the welfare system in the case of an economic recession.¹ The Bank of England's recent GDP projections show a 30% risk of negative GDP growth in 2020.² The Governor of the Bank of England has also been quoted as saying that a no-deal Brexit would be an "instantaneous shock" to the UK economy.

Might you please answer the following questions on the Government's preparations for a potential future recession or economic shock?

The way that legacy benefits, such as tax credits, would operate as an 'automatic stabiliser' in the case of a recession is relatively well-understood. The Chairman of the Office for Budget Responsibility observed, however, that it is unclear if Universal Credit would operate in the same way, partly because of the conditionality regime.³

1. Has the Government undertaken any recent modelling of the effect of a recession or economic shock on welfare spending in general, or Universal Credit spending in particular? If so, please would you share the assumptions and results with the Committee?
2. Has the Government undertaken any analysis or planning of how Universal Credit would operate in a recession?
 - a. Would the Government make changes to the conditionality regime in response to a material change in economic conditions?

The OBR told us that recessions could vary in character, with different effects on price inflation, average earnings and employment rates.⁴ Universal Credit was designed so that the work allowance and taper rate could be varied in response to different economic conditions.

¹ Oral evidence taken before the Work and Pensions Committee, Wednesday 10 July 2019 (HC 2169)

² Bank of England Inflation Report August 2019, Chart 5.1

³ Q25

⁴ Qq25-26



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3. Has the Government undertaken any recent analysis of the effect of different UC work allowances and taper rates on household incomes and employment rates? If so, please would you share this with the Committee?
4. Would the Government consider varying the UC taper rate or work allowance in the case of a recession or economic shock?

The Chairman of the OBR told the Committee that “one of the sensible things that was done ahead of the previous recession was to make sure that jobcentres are adequately funded for this when it hits, having learned the experience from previous times”.⁵

5. In light of recent announcements of increased Government spending on no deal preparations, does the Government have plans to increase funding for and staffing of Jobcentre Plus in the case of an economic shock or recession?

Lastly, whilst the Government will have an important role to play in a future recession, there will also be a role for the private sector.

6. What role does the Government envisage that the private sector would play in mitigating the effects of an economic recession?
 - a. Have any discussions taken place with industry bodies on how the Government would work with the private sector in the case of a recession?

I am copying this letter to Rt Hon Amber Rudd MP, Secretary of State for Work and Pensions and Rt Hon Sajid Javid MP, Chancellor of the Exchequer.

Best wishes,

Rt Hon Frank Field MP
Chair, Work and Pensions Committee

CC
Rt Hon Amber Rudd MP
Secretary of State for Work and Pensions
Department for Work and Pensions

Rt Hon Sajid Javid MP
Chancellor of the Exchequer
HM Treasury

⁵ Q25