Policy in Practice

The impact of disability benefit reforms in Wales

A data led examination of the impact of the proposed disability benefit reforms on poverty in Wales

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Foreword

In March 2025 the UK Government announced changes to disability benefits and Universal Credit for people who are too ill to work. Ever since the announcement there have been significant concerns that the proposed changes could increase poverty.

These concerns have been particularly acute in Wales, where a higher proportion of the population are in receipt of the benefits affected by the proposed changes. A report by Policy in Practice, published in May 2025, showed that in Wales nearly 190,000 people will be affected by the changes to benefits, 6.1% of the population, with £470 million lost from the Welsh economy.

Alongside these reforms, the UK Government announced that it would invest £1 billion in interventions to support claimants with a disability or health condition that creates barriers to work. The UK Government's hope is that by improving access to work, poverty among disabled people or people with long-term health conditions will reduce.

To date, very little analysis has been undertaken to explore whether increasing employment among disabled people and people with long-term health conditions would offset the loss of income from changes to benefits. The Bevan Foundation and partner organisations had already been working with Policy in Practice to analyse the impact of different interventions on poverty in Wales, including increased employment, and then added the proposed changes to disability benefits to the analysis. This report sets out the findings on disability benefits and employment; the results of the analysis of other interventions will be published separately.

The findings make sober reading. They demonstrate that the changes to disability benefits will significantly increase the number of people living in poverty in Wales. Some people who lose benefits may move into paid work which would reduce the forecast level of poverty slightly, but the reduction does not come close to offsetting the loss of benefits in its entirety. In other words, the number of people living in poverty in Wales is set to increase if the UK Government proceeds as intended.

The increase in poverty will inevitably put further pressure on public services and on charities. The NHS, social care, housing providers and emergency support, to name but a few, will all face additional demand from disabled people and people with long-term health conditions who can no longer make ends meet. That pressure will be all the greater because of the higher proportion of disabled people in Wales than elsewhere.

The UK Government should rethink its proposed reforms to the benefits system, recognising its particularly severe impact on poverty in Wales. The Welsh Government should be steadfast in its calls for the reforms to be reviewed, and it, together with local authorities, health boards and other organisations, should also plan to deal with the consequences should they go ahead.

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Executive summary

This report provides a data-led analysis of how the UK Government's proposed disability benefit reforms will affect poverty in Wales. Drawing on administrative data from two Welsh local authorities and using a microsimulation model, the study projects substantial increases in poverty and financial hardship for working-age households who are currently classified as too ill to work due to disability or illness.

Context and reform overview

The UK Government's proposed reforms, outlined in the Green Paper "Pathways to Work" and the 2025 Spring Statement, include:

- Stricter eligibility criteria for Personal Independence Payment (PIP);
- Replacing the Universal Credit Limited Capability for Work Related Activity (LCWRA) element with a lower-value Health Element tied to PIP eligibility;
- Abolition of the Work Capability Assessment;
- A new disability payment for people with lifelong, severe conditions;
- A £21 a month increase in the Universal Credit standard allowance.

The reforms aim to cut £5 billion from the UK benefits bill over five years. However, this analysis shows that the social costs, especially in Wales, could be severe.

Key findings

- **Widespread impact**
  Around 190,000 people in Wales are expected to be affected by the reforms, equating to 6.1% of the population

- **Financial impact on affected households**
  At today's benefit rates, a single person without children on PIP and in receipt of UC LWRA element would see monthly support reduce from £1,324.10 per month to £421.14 per month, a 68% reduction in household income

- **Sharp rise in poverty**
  - PIP and the UC LCWRA element provided a level of protection for disabled benefit claimants against poverty. Removal of this support increases poverty significantly amongst this cohort
  - Among households affected by the loss of both PIP and UC LCWRA, relative poverty increases from 24.5% to 78.3% - a 219% increase
  - The average depth of poverty (how far households fall below the relative poverty line, before housing costs are accounted for) among affected households increases by 65%, from £326 to £538 per month

- **Systemic effect across Wales**
  - The overall proportion of working-age households in the low-income dataset that are in relative poverty rises from 51.1% to 61.2% following the reforms
  - Child poverty also worsens, with the proportion of children living in a household in relative poverty increasing from 66.4% to 71.4%

- **Minimal impact from employment initiatives**
  - Even with 5 - 10% of affected households moving into part-time work following loss of disability benefits, overall poverty amongst working-age households in the data set remains significantly higher than before the reforms
  - Moving to part-time work reduces the depth of poverty amongst those that move to work but the proportion of households that are in relative poverty remains higher than before disability benefits reform is implemented

Conclusion

The proposed disability benefit reforms will significantly deepen poverty for thousands of households across Wales who are currently classified as unable to work due to illness or disability. Whilst government policy aims to encourage employment among disabled people, the modelling suggests that part-time employment does not offset the rise in poverty caused by the benefit cuts. Low-wage, part-time employment does not adequately replace the financial support being withdrawn.

It is likely that a significant increase in poverty amongst those too ill or disabled to work will create knock-on pressure on local authorities, healthcare services, and the voluntary sector.

The evidence underscores the urgent need for policymakers to reconsider or amend the proposals as made. Without substantial changes, the reforms risk undermining financial security, increasing social inequality, and exacerbating already entrenched poverty in Wales.

Introduction

In 2024, Policy in Practice began working with the Bevan Foundation to undertake a major research project providing data-led modelling of the impact of possible policy interventions to reduce poverty in Wales.

Changes to disability benefits and associated changes to Universal Credit support for those who are currently classified as too ill to work were announced by the UK Government in the Spring Statement 2025[1].

Following the Spring Statement 2025, there was concern that the disability reforms, as proposed, could have a significant impact on poverty. A report by Policy in Practice, published in May 2025, has indicated that Wales will be significantly affected by these reforms. The analysis showed that in Wales, nearly 190,000 people will be affected, 6.1% of the population, with £470 million lost from the Welsh economy[2].

As part of the ongoing project between Policy in Practice and the Bevan Foundation, additional analysis has been conducted to assess how disability benefit reforms affect poverty levels in Wales. This report presents the findings from a data-driven examination of the reforms' impact on poverty across the country.

The reforms

The Government's proposed changes to support for those with disability and illness are outlined in the Green Paper "Pathways to Work: Reforming Benefits and Support to Get Britain Working"[3].

The proposed reforms include tightening Personal Independence Payment (PIP) eligibility, replacing the UC Limited Capability for Work Related Activity element (LCWRA) within

[1] https://www.gov.uk/government/publications/spring-statement-2025-document
[2] https://policyinpractice.co.uk/blog/new-analysis-how-disability-benefits-changes-will-affect-your-local-area/
[3] https://www.gov.uk/government/consultations/pathways-to-work-reforming-benefits-and-support-to-get-britain-working-green-paper/pathways-to-work-reforming-benefits-and-support-to-get-britain-working-green-paper

Universal Credit with a new, lower value, introducing a Health Element that is linked to PIP eligibility, and removing the Work Capability Assessment (WCA).

Key changes proposed in the Green Paper and Spring Statement include:

- **Changes to eligibility for PIP**: The daily living component of PIP will become more difficult to qualify for, with claimants needing to score at least four points in one daily living activity to receive PIP. This will impact those who previously had a low overall assessment score but still needed assistance with daily tasks and therefore qualified for PIP on that basis. A FOI response from the DWP in April 2025[4] shows that amongst current claimants, 87% of those in receipt of the standard award of the daily living component of PIP would no longer qualify if the eligibility threshold was set at four points in at least one daily living activity. A further 13% of claimants within the enhanced daily living category would not qualify under the proposed assessment changes

- **Reduction in Universal Credit (UC) sickness support:** The Limited Capability for Work Related Activity (LCWRA) element within Universal Credit is currently awarded to claimants who are deemed too ill to work following a Work Capability Assessment (WCA). This element will be replaced by a new Health Element which will have a lower value. The new Health Element will only be awarded to Universal Credit Claimants who receive PIP under the revised assessment rules. Current Universal Credit claimants who receive LCWRA within their benefit will have transitional protection

- **End of the Work Capability Assessment**: The Work Capability Assessment (WCA) will cease, as the extra financial support for health conditions in Universal Credit will be based solely on PIP eligibility, focusing on daily living needs rather than work capacity or sickness

- **Introduction of a new Disability Payment:** A new disability payment will be introduced into Universal Credit for those with severe, life-long conditions and no prospect of improvement or work. There is currently little detail on who would

[4] FOI2025/24990

qualify for this element

- **Increase in the Universal Credit standard allowance:** The Universal Credit standard allowance will be increased by £21/month for all Universal Credit recipients.

The reforms are expected to save £5 billion from the UK benefits bill over 5 years. The UK Government has stated that these reforms are required to curtail unaffordable year-on-year cost increases arising from the increasing number of claimants eligible for PIP and LCWRA.

The Government also wishes to prevent benefit claimants from being categorised as unable to work due to illness. The changes seek to end the current binary division of benefits into those able to work and those not able to work. In order to assist those with illness or disability to take up work, and to enable these households to offset the loss in benefit support, the Government is investing £1 billion in back to work support interventions for claimants with disability or health conditions that create barriers to work.

Despite these reform measures, government spending on disability and illness support is projected to rise over the next five years. The anticipated savings are set against future costs, with the reforms aimed at slowing what would otherwise be steep increases in expenditure. This growth in support costs is driven by complex structural factors.

According to the Resolution Foundation, the increase is not due to more generous benefits or a more lenient Personal Independence Payment (PIP) assessment. Instead, it reflects a growing number of working-age individuals needing support, as the UK population becomes older, experiences worsening health, and sees a higher prevalence of disabilities that limit the ability to work or require additional assistance[5].

This paper examines how the reforms affect the current working-age population receiving Council Tax Reduction and Housing Benefit. It does not attempt to quantify the full impact, as the number of people unable to work due to disability or illness is expected to grow in

[5] https://www.disabilityrightsuk.org/news/%E2%80%9Cunder-strain%E2%80%9D-%E2%80%93-real-causes-rise-working-age-disability-and-incapacity-benefits-spending#:~:text=In%20one%20of%20a%20series,period%20(in%20today's%20prices)

the future[6]. If these projections hold, more individuals will require benefit support. In that case, the reforms' proportional impact on poverty will remain relevant, but will affect a broader segment of the population.

The final shape of the disability benefit reforms may differ from the proposals as set out in the Green Paper. The government has yet to publish a full impact assessment for the disability reforms and the consultation on the green paper is ongoing, with a deadline of June 30, 2025. Changes to PIP and the Work Capability Assessment, which are not part of the consultation, will require parliamentary legislation, and this is expected in the summer of 2025. It is worth noting that the proposals as set out in the Green Paper may be amended either following consultation or during the parliamentary process for the legislation.

Numbers affected

Approximately 2.9 million people currently receive the Personal Independence Payment (PIP) Daily Living Component in England and Wales. The exact numbers that will lose support under the new proposed assessment rules coming into effect in November 2026 is unclear. The OBR estimates that 370,000 of current claimants are expected to lose entitlement at reassessment, and a further 430,000 of new claims will not be entitled under the new rules by 2029. This is a total loss of 800,000 PIP awards, or 42% of the current PIP caseload, by 2029.

A Freedom of Information response in April 2025 indicates that the figure could be as high as 1.3 million[7]. The FOI request showed that 46% of total current PIP recipients did not receive 4 points in any daily living assessment category. Under the proposed assessment changes, this would mean they would no longer qualify for PIP.

Numbers impacted cannot be accurately assessed until more detailed information on the changes is published. In addition, behavioural response to the new assessment regime is difficult to predict. Estimates have ranged from 33% to nearly 50% of those who would qualify under current rules would no longer qualify[8]. Analysis for this research uses 37% as

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[6] https://www.gov.uk/government/publications/spring-statement-2025-document
[7] FOI2025/24990
[8] https://www.benefitsandwork.co.uk/news/quarter-of-a-million-into-poverty,-370,000-to-lose-pip-daily-living

the level of PIP loss from existing claimants; this provides a 5% margin below the DWP estimate of loss up to 2029 and is amongst the lower end of estimate ranges. The potential impact of new claims for PIP no longer qualifying under the new rules was not analysed.

Impact on household finances

At current benefit rates, the standard rate of PIP Daily Living support is worth £320.21 per month. Response to a FOI request showed that 87% of current recipients of this rate of support would not have passed the PIP assessment if the proposed changes had been in place and so would be at least £320.21 a month worse off [9].

The enhanced rate of the PIP Daily Living support is worth £479.69/month. 13% of current recipients of this rate of support would not have passed the PIP assessment if the proposed changes were in place and so would be at least £479.69 a month worse off.

The current rate of Limited Capability for Work Related Activity (LCWRA) element, awarded to those in receipt of Universal Credit (UC) who are too sick to work, is worth £423.27 a month. Currently, this may be awarded to households without PIP, and not all PIP recipients in receipt of UC receive the LCWRA. This is being replaced by the new Universal Credit Health Element, which will be at a lower rate. Under the proposed changes, if a person does not pass the PIP assessment, they would also not receive the Health Element. Those who no longer qualify for PIP would therefore also be an additional £423.37 a month worse off.

For a disabled household in receipt of Universal Credit, the impact of the loss of both PIP and UC LCWRA is significant. At today's benefit rates, a single person without children, no longer receiving transitional protection but including the proposed uplift in the Standard Allowance, would see monthly support reduce from £1,324.10 a month to £421.14 a month, a 68% reduction in household income.

[9] FOI2025/24990

Figure 1: Monthly income for a disabled household before and after loss of PIP and UC LCWRA

Methodology

Representative nature of data used for the analysis

This analysis uses local authority benefit administration data from two Welsh local authorities. This data holds household characteristics and income for low-income households in receipt of Council Tax Support or Housing Benefit in the two participating Welsh boroughs. It has coverage of low-income householders (those with a Council Tax liability) but excludes non-householders (eg, those living in the household of a relative or friend).

In addition, households that have income that is too high for either Council Tax Reduction or Housing Benefit, as well as those that have not applied for benefit support, are not represented.

Some of these households may also be in poverty and be moved further into poverty through the loss of PIP. The data therefore represents a subset of those in poverty, specifically the lowest income householders.

The data is put though our modelling engine to calculate all available benefits and to assess household income. This produces the baseline results. Parameters within the engine are amended for each model, and levels of poverty and household income are recalculated and compared to the baseline results.

Two Welsh councils have provided benefit administration data for this research. This data covers 26,500 low-income households and represents approximately 10% of households receiving means-testing benefits and CTR across Wales[10].

Full methodology is provided in **Appendix A**.

[10] 258,685 households received CTR in Wales in March 2024 https://www.gov.wales/council-tax-reduction-scheme-annual-report-2023-2024-html#:~:text=Of%20the%20258%2C685%20households%20in,Universal%20Credit%20(UC)%20recipients .

Poverty metrics

Relative Poverty (before housing costs) is used as the key metric as this is widely used and understood within poverty research and amongst agencies interested in reducing poverty. This gives the proportion of households with incomes below 60% of median income before housing costs.

This research is focused on low-income households in receipt of means-tested benefits and a significant proportion of these households are in relative poverty. The removal of disability benefits and the UC LCWRA will mean households in poverty will move deeper into poverty.

The change in this depth of poverty is not fully reflected in the proportion of low-income population in relative poverty alone. In order to capture the different dimensions of poverty, we use the following key metrics:

- The impact on households affected by the change; the change in the average depth of poverty (£/month) for those in relative poverty, measured as the £ distance from the relative poverty line and the proportion of households in poverty affected by the modelled change
- The change in the proportion of working-age households in relative poverty across the whole low-income dataset
- Change in the proportion of children living in working-age households that are in relative poverty across the whole low-income dataset

Baseline results

To understand the impact of disability benefit reform in Wales, a baseline analysis was undertaken. This provides an understanding of poverty prior to the application of disability benefit changes. For baseline results for levels of poverty across the whole low-income population within the dataset, broken down by household type, see **Appendix B**.

Analysis and modelling

To replicate the impact of the proposed disability benefit reforms, 37% of working-age householders currently receiving PIP are modelled as no longer receiving it. Where these households receive the LCWRA element within their Universal Credit, this is also removed to reflect the proposed loss of LCWRA, or its replacement with the new Health Element, for those no longer receiving PIP. This mirrors the situation when the proposed LCWRA transitional arrangements have ended.

Additional models 1 and 2 then examine the impact on poverty if a proportion of individuals who no longer receive PIP move into work. Households currently receiving PIP have been assessed as requiring support with daily living, whilst those currently receiving the UC LCWRA element have been assessed through the Work Capability Assessment (WCA) as having limited capacity for work due to illness.

Given these significant barriers to work, earnings are based on part-time work of 16 hours a week at the relevant National Minimum Wage rate.

The impact of disability reforms on poverty in Wales

The impact of disability benefit reforms with no additional movement into work

Policy in Practice's modelling engine enables the impact of benefit policy changes to be modelled. The data used is the actual household income and benefit data from two Welsh councils, representing approximately 10% of Welsh low-income householders that receive CTR and means-tested benefits.

Data on households is put through Policy in Practice's modelling engine with PIP and any associated LWCRA element removed from 37% of working-age individuals currently receiving PIP. In the first model, none of the households that lose PIP and are currently out of work are modelled as moving into work as a response to the loss of benefit support, and their current situation and poverty levels are measured.

Impact on poverty amongst households affected by the change

3,170 households across the two participating local authority areas are modelled as losing PIP and Universal Credit LCWRA (if applicable). This is 19% of working-age households within the low-income dataset.

Relative poverty amongst affected households

778 of the 3,170 affected households (24.5%) were in relative poverty in the original dataset baseline; in other words, they were already in relative poverty whilst receiving PIP and any other associated LCWRA element prior to the introduction of disability reform. This is significantly lower than the proportion across the whole working-age population within the dataset where 51.1% are in relative poverty, which suggests that receipt of PIP and UC LCWRA element protects many ill and disabled households from poverty.

Following the loss of both PIP and the UC LCWRA element (if present), the number in relative poverty increases to 2,484 households (78.3% of those households where at least one member is modelled as losing PIP).

Amongst households affected by the removal of PIP and UC LCWRA, the proportion of households in relative poverty increases by 219.6%. This is a very significant increase in poverty amongst households that lose disability and sickness support.

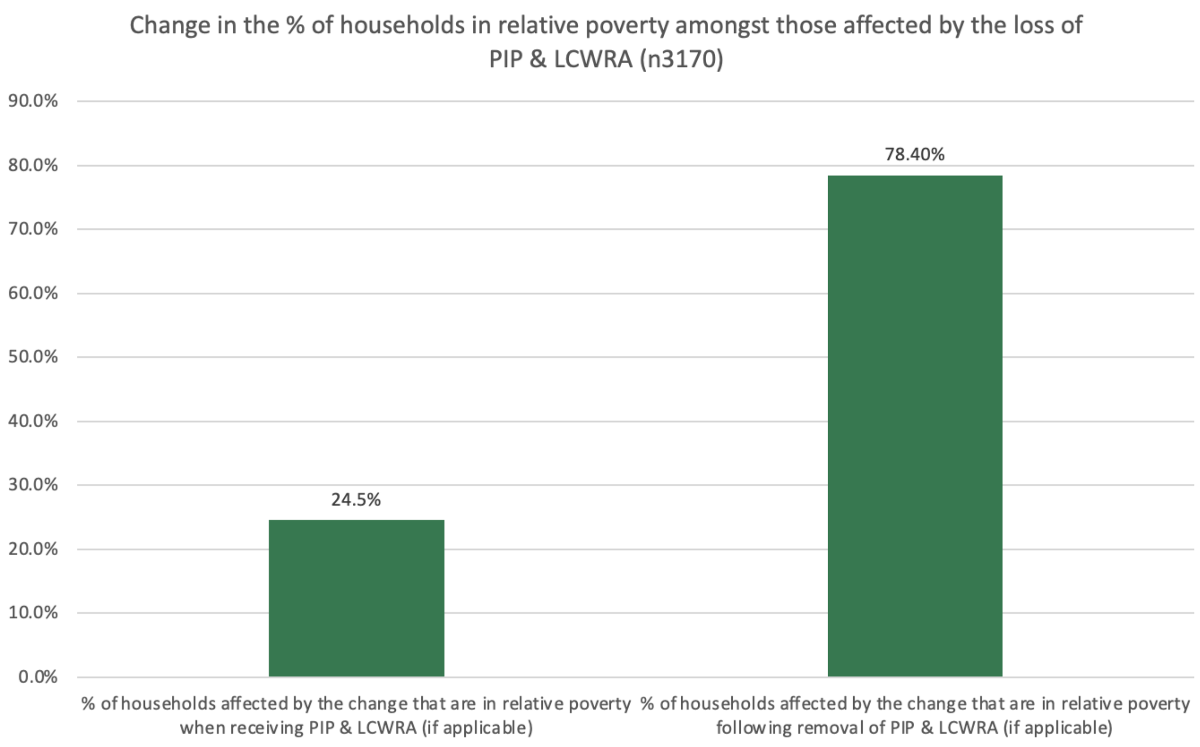

Figure 2: The proportion of households in relative poverty, amongst households affected by the reform, both before and after loss of PIP and UC LCWRA.

Depth of poverty amongst affected households

Households that were in relative poverty before the removal of PIP and any LCWRA element, and who remain in relative poverty after the removal of these benefits, do not have an impact on the change in the proportion of the population in relative poverty. For these households, the impact of the disability benefit reforms is seen through depth of poverty. In other words, impact can be seen through the change in how far these households fall below the relative poverty line.

Depth of poverty increases significantly for households losing PIP and the UC LCWRA element, where present. The average £ shortfall from the relative poverty line amongst households in poverty that lose disability benefits increases from £326 to £538. This is an average increase of 65% in the depth of poverty for the households affected by the disability benefit reforms.

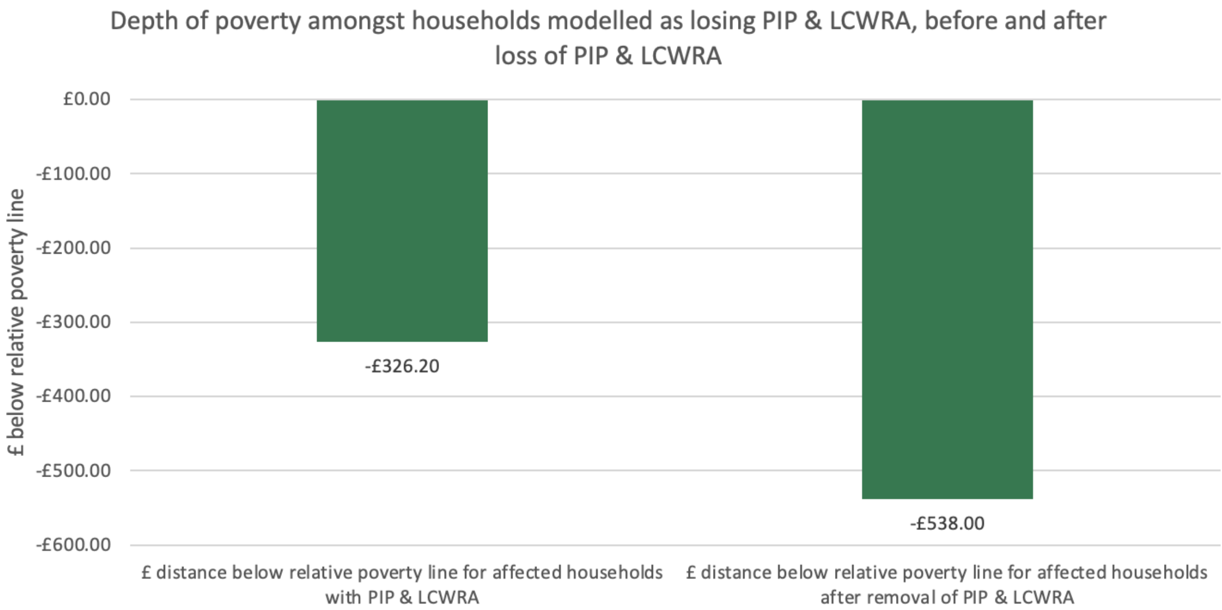

Figure 3: Depth of poverty (£) amongst households modelled as losing PIP and UC LCWRA both before and after disability reforms

Change in the proportion of households across the whole working-age low-income data set in relative poverty

Removing PIP awards and the UC LCWRA element, where present, from 37% of the working-age population increases the proportion in relative poverty across the whole working-age data set from 51.1% to 61.2%. This is a 19.8% increase in working-age households in relative poverty amongst the low-income households represented within the dataset.

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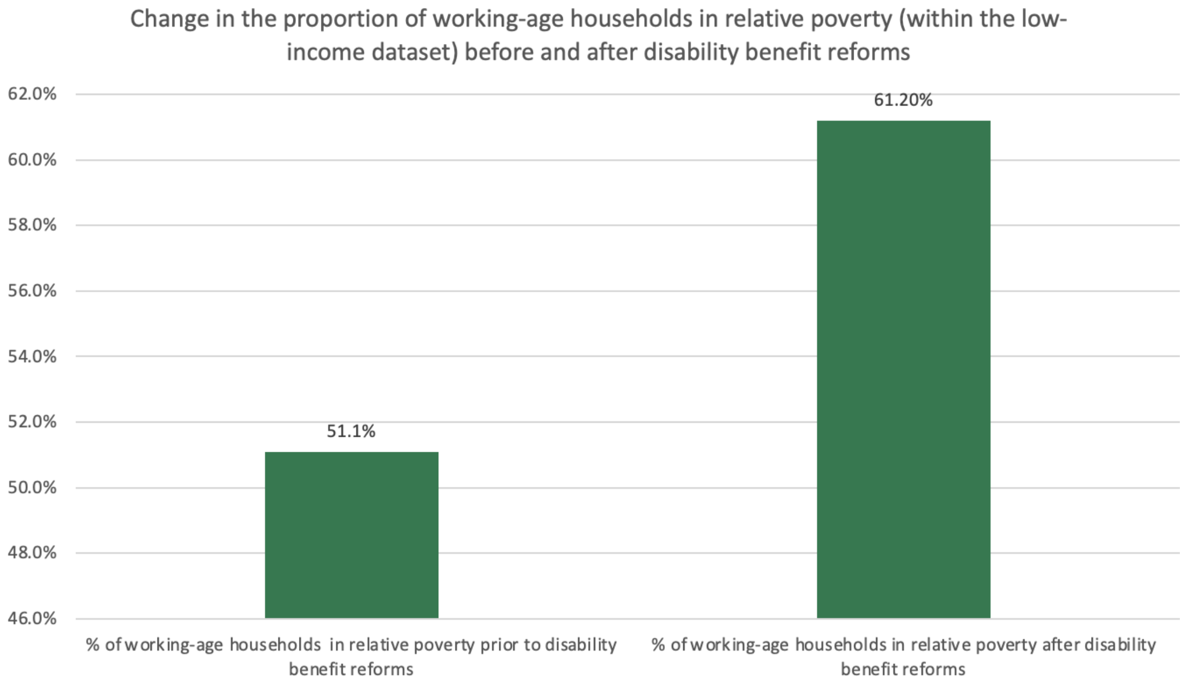

Figure 4: The proportion of working-age households in the low-income dataset both before and after loss of PIP and UC LCWRA

Impact of disability benefit reforms on child poverty

The Welsh Government has set out its commitment to reducing child poverty in Wales[11]. The proposed disability benefit reforms will influence the number of children in Wales living in households in relative poverty.

- The proportion of children in working-age households that are in relative poverty increases from 66.4% to 71.1%, an increase of 7.1%
- The proportion of households in poverty with a child under 4 increases from 73.3% to 77.3%, an increase of 5.5%
- The proportion of households with 3+ children in poverty increases from 76.8% to 80.6%, an increase of 4.9%

11 https://www.gov.wales/sites/default/files/pdf-versions/2024/7/5/1720789730/child-poverty-strategy-wales-2024.pdf

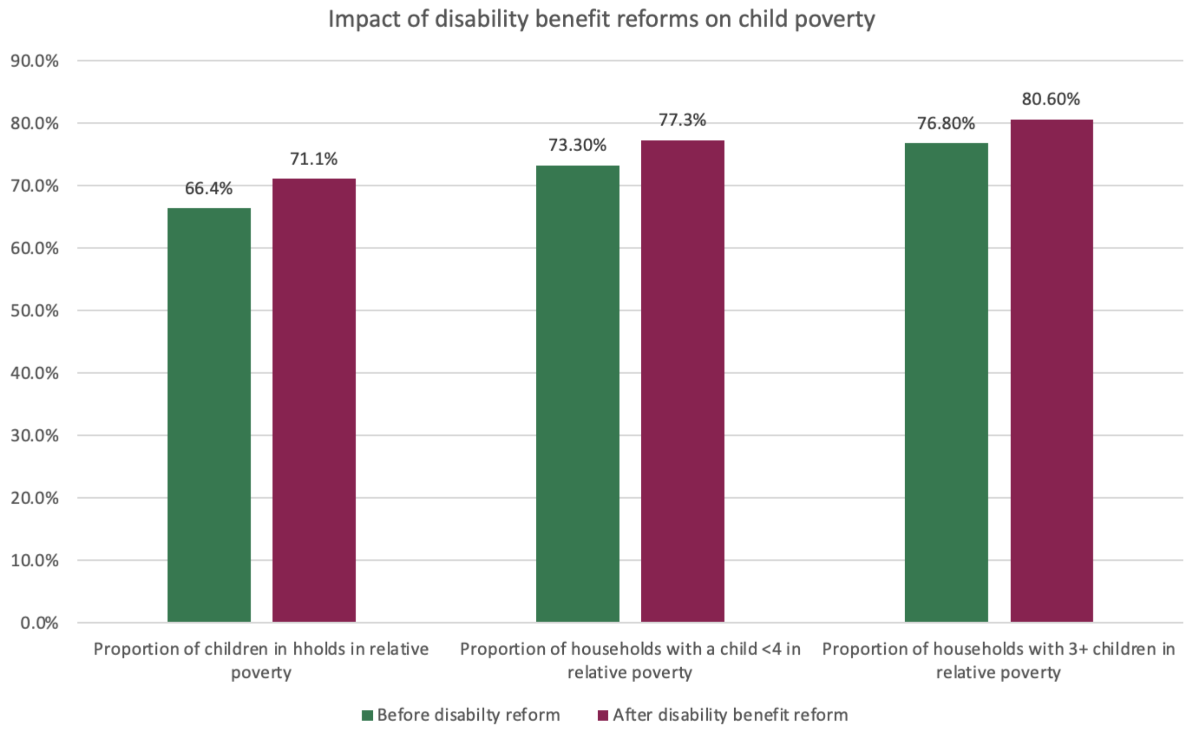

Figure 5: Impact of disability reforms on child poverty

The impact of disability reforms with some subsequent movement into part-time work

The Government expects that loss of benefits, together with a funded support package for those with disability or illness seeking (and able) to return to work, will result in a proportion of households affected by the reforms moving out of poverty due to employment.

Two additional models are designed to understand the impact of a proportion of households moving into work as a result of losing PIP and the UC LCWRA element.

The OBR forecasts that "*only a small percentage of those affected by the reforms will enter employment*" and quotes the previous government's estimate of 3% of those who lose disability benefit support moving to employment[12]. It is worth noting that as of May 2025, a full impact assessment of the disability benefit reforms has yet to be published. In addition, behavioural response to policy change is particularly hard to predict. Households currently receiving PIP have been assessed as disabled under the current criteria and households receiving LCWRA have been judged by the Work Capability Assessment as having limited capability to work due to health conditions. It is therefore unlikely that a significant proportion losing benefits will be in a position to take up work even if they wish to do so. Given these significant barriers to work, the level of earnings for modelling purposes is based on part-time work of 16 hours a week at the relevant National Minimum Wage rate.

Under **Model 1,** 37% of working-age householders currently receiving PIP are modelled as no longer receiving PIP nor the UC LCWRA element (if in receipt), and then 5% of those who lose disability benefits are moved into part-time work. Earnings from part-time work is set at 16 hours at the National Minimum Wage. The percentage moving to work under this model is slightly higher than the 3% anticipated move to work quoted by the OBR.

Under **Model 2**, 37% of working-age householders currently receiving PIP are modelled as no longer receiving either PIP or the UC LCWRA element (if in receipt), and 10% of those who lose disability benefits move into part-time work. Earnings from part-time work is modelled as being 16 hours at the National Minimum Wage. This proportion moving to work models a potential positive impact of the Government's proposed support interventions to assist sick and disabled people with the move to work.

For both models, the same individuals are modelled as losing PIP and UC LCWRA as under the previous analysis. This ensures consistency across all of the models examining the impact of the disability benefit reforms.

Impact on poverty amongst households affected by the change

Relative poverty amongst affected households

12 https://obr.uk/economic-and-fiscal-outlooks/#:~:text=But%20it%20also%20has%20ambitions,ahead%20of%20our%20next%20moving

Model 1 moves 5% of those losing disability benefits into work. 158 households are moved into work across both local authority areas. This equates to 1% of all working-age households.
Model 2 moves 10% of those losing disability benefits into work. 316 households are moved into work across the local authority areas. This equates to 1.9% of all working-age households.

Findings from both models show the same pattern with a significant increase in relative poverty amongst affected households following the introduction of disability reforms, and a slight reduction in the proportion of households in relative poverty after some of these households move into work.

However, even though the move to work reduced the proportion in poverty compared to the proportion in poverty after losing disability benefits, it is higher than the initial scenario when all disabled households were in receipt of disability benefits. In other words, more households are in poverty following the loss of disability benefits and move to part-time work than when in receipt of disability benefits and the UC LCWRA element, where present.

Amongst the 5% that moved to work, the proportion in relative poverty reduced from 78% following the removal of disability benefits to 49% once they had taken up part-time work (a 37% reduction in the proportion in relative poverty). However, compared to when the same cohort were in receipt of disability benefits, the proportion in relative poverty increased from 20% (in receipt of disability benefits) to 49% (in part-time work). This is a 145% increase in relative poverty. Among the 10% cohort that moved to work, a similar pattern is seen.

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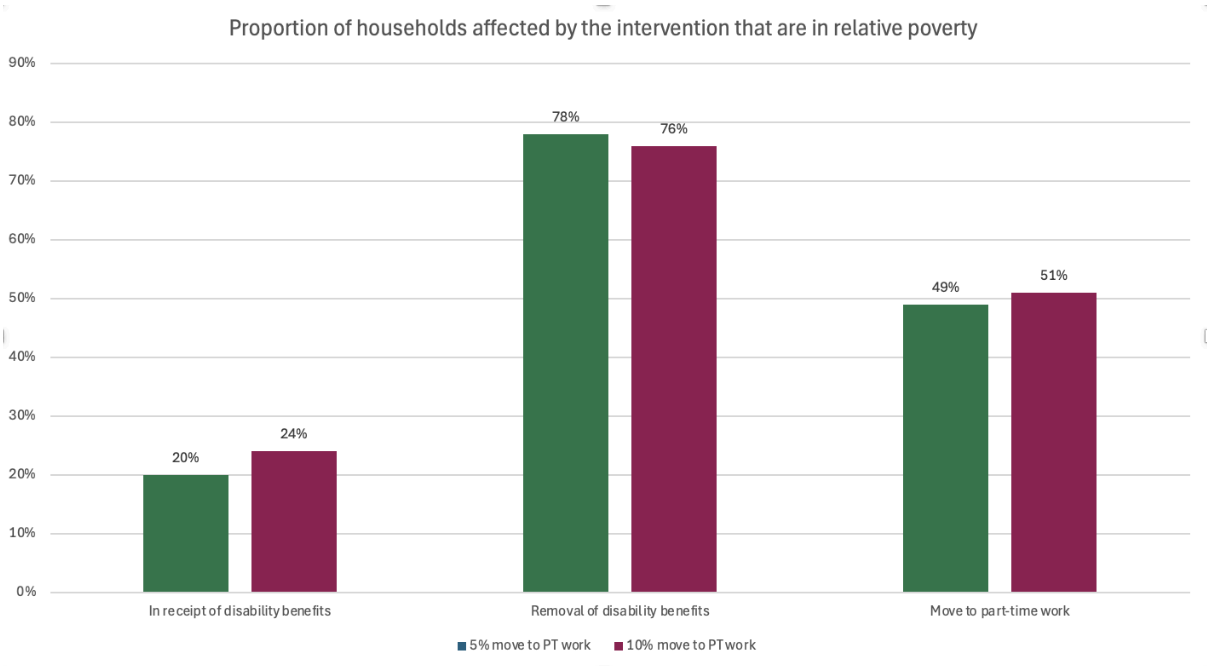

Figure 6: Proportion of households in relative poverty when in receipt of disability benefits, after removal of disability benefits, and with a move to part time work

Depth of poverty amongst affected households

Moving to work cancels out the significant increase in the depth of poverty caused by the loss of disability benefits. Once households move to part-time work, they see the depth of poverty being slightly lower than when they were in receipt of disability benefits.

This pattern was seen across the 5% cohort that was moved to work (which saw a 12.6% reduction in depth of poverty when working compared to receiving disability benefits) and the 10% cohort that was moved to work (which saw a 6.5% reduction in depth of poverty when working compared to receiving disability benefits).

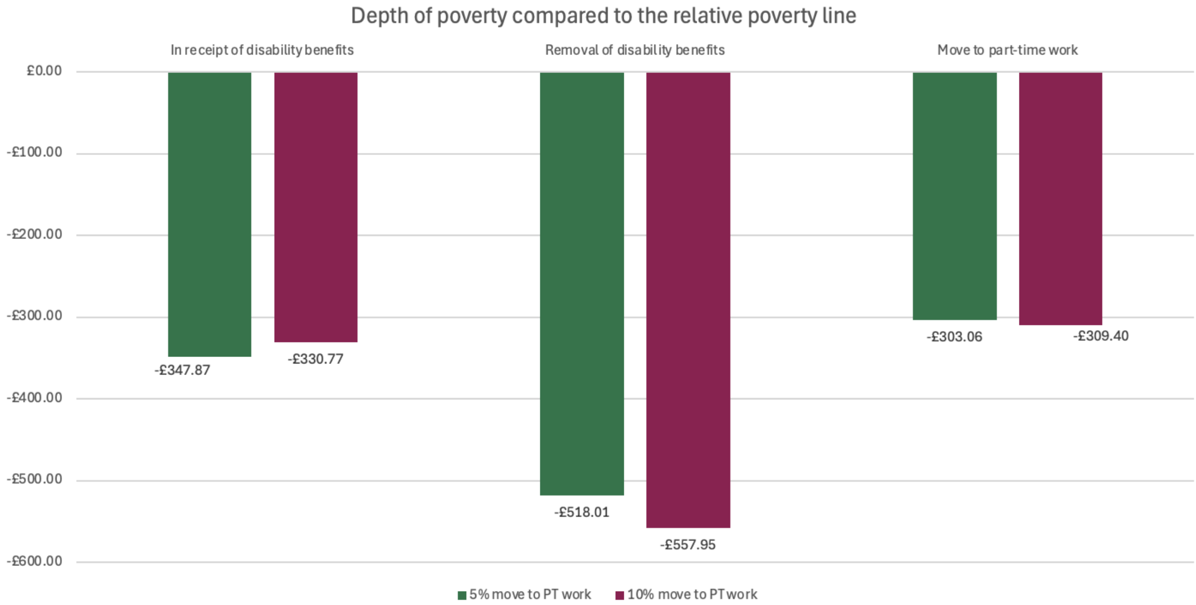

Figure 7: Depth of poverty in across affected households when in receipt of disability benefits, with removal of disability benefits, and with a move to part-time work

Overall, loss of PIP and UC LCWRA (if applicable), together with a move to part-time work, increases the proportion of households in relative poverty compared to when these households were in receipt of disability benefits and not working. However, amongst those moving to part-time work, the depth of poverty is reduced slightly compared to when they were in receipt of disability benefits.

Change in the proportion of all working-age households in relative poverty

Moving either 5% of households or 10% of households that lose PIP into work makes no significant difference to the overall proportion of households within the working-age dataset that are in relative poverty following disability benefit reform. The proportion in relative poverty remains at 61% (the same proportion in relative poverty following the disability benefit reforms only) if 5% of impacted individuals move to work, and falls slightly to 60.1% of households within the dataset if 10% of households losing disability benefits move into work.

Following the removal of PIP and UC LCWRA, where present, whether a proportion moves to work or not, the proportion of working-age households in relative poverty within the dataset is significantly greater than prior to the application of disability benefit reforms (51.1% of working-age households in relative poverty).

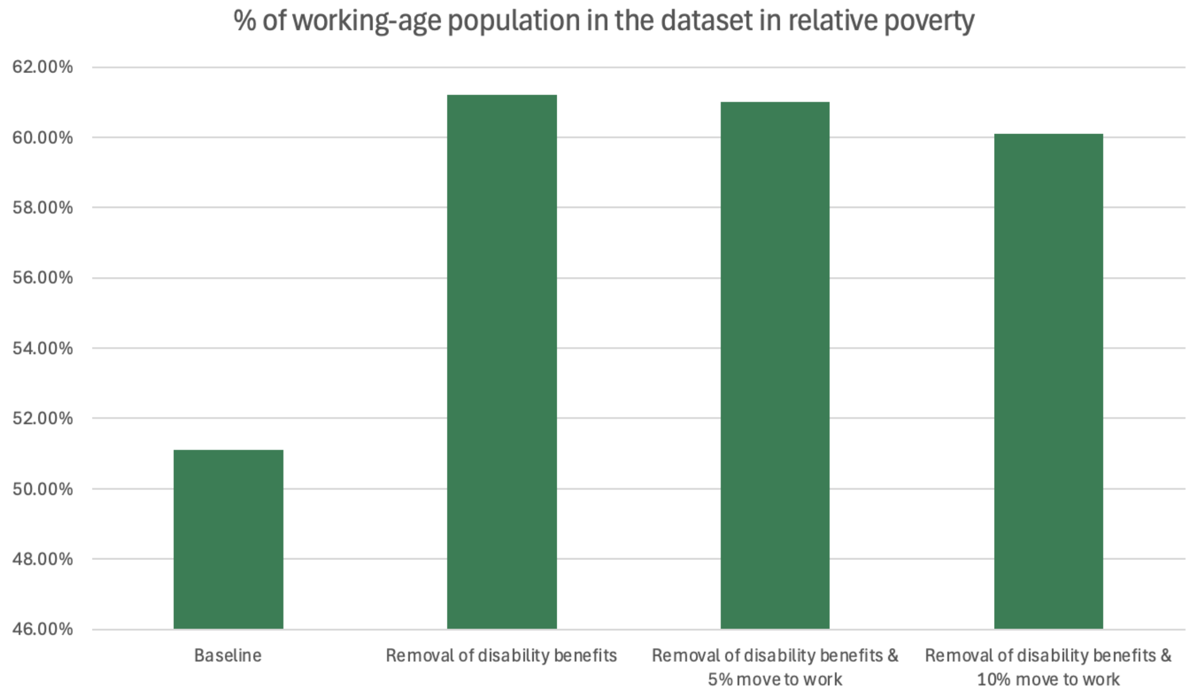

Figure 8: Proportion of working-age households in the low-income data set before disability benefits reform, after loss of PIP & UC LCWRA, and after a proportion move to part time work

Child poverty

If a proportion of those affected by disability benefit reform move to part-time work this has little effect on levels of children in poverty:

- The proportion of children in households that are in relative poverty once disability benefits are removed is little affected by 5% or 10% of these households moving to work. In both cases, the proportion of children in poverty is reduced by <0.2%
- The proportion of households in poverty with a child under 4 remains at 77% with the removal of disability benefits and if 5% or 10% of these householders move to work
- The proportion of households with 3+ children in poverty remains at 81% with the removal of disability benefits and if 5% or 10% of these householders move to work

Conclusion

This research illustrates that the proposed disability benefit reforms, specifically the removal of Personal Independence Payment (PIP) and the Limited Capability for Work Related Activity (LCWRA) element within Universal Credit, are likely to have a severe and negative impact on poverty in Wales. The modelling indicates a sharp increase in both the number of households experiencing relative poverty and the depth of poverty faced by working-age individuals with disabilities or long-term health conditions.

In the baseline scenario, where none of those affected by the reforms subsequently move into employment, the proportion of impacted households in relative poverty rises dramatically from 24.5% to 78.3%. This substantial increase highlights the critical role that PIP and LCWRA currently play in providing financial security to disabled people and those unable to work due to illness.

Even in alternative models where 5% or 10% of affected individuals enter part-time work due to the loss of benefit income, poverty levels remain significantly higher than before the reforms were applied. In fact, more people are in relative poverty after moving into part-time work than when they were receiving disability benefits, demonstrating that low-wage, part-time employment does not adequately replace the financial support being withdrawn under the proposed reforms.

The reforms are also projected to have a disproportionate effect on children, and child poverty increases sharply. A move into part-time work for a small proportion of affected households has minimal impact on these outcomes and does not reverse the overall rise in child poverty.

It is important to note that this analysis was conducted in advance of the Government's final proposals and full impact assessment. The modelling uses a conservative estimate, lower than many projections and significantly below figures suggested in recent FOI disclosures, regarding the proportion of individuals expected to lose disability benefits. While the Government maintains that many affected individuals will be supported into work, the Office for Budget Responsibility takes a more cautious view. Further modelling may be warranted once more details are released.

At this stage, the UK Government has not completed its consultation process or published its full impact analysis. Key elements of the proposed reforms, including changes to PIP eligibility and the end of the Work Capability Assessment, also require parliamentary approval. This presents a critical window for reflection and potential revision. Policymakers still have the opportunity to amend or mitigate the proposed changes in light of this evidence.

The withdrawal of disability-related benefits from a significant proportion of those who are too ill to work not only deepens existing financial hardship but also erodes a key component of the social safety net for those unable to work due to illness or disability. This creates a cycle of entrenched poverty that is difficult to escape, particularly for individuals who already face structural barriers to secure, sustainable employment.

As poverty is likely to rise following the reforms, there is likely to be additional pressure on the public sector, including local authorities and health boards, and on charitable organisations across Wales.

The evidence presented here is clear: without significant changes, the proposed reforms are likely to push thousands of vulnerable households further into poverty. It is essential that decision makers weigh potential cost savings against the substantial human and social costs of such a policy shift.

Appendix A: Methodology

The data sources

This project makes use of benefit administrative data from two Welsh local authorities. The data represents approximately 10% of the working-age population in receipt of Council Tax Reduction and means-tested benefits across Wales. Administrative data is generated whenever people interact with public services, and the data for this analysis covers all households in the relevant council areas in receipt of locally administered benefits, specifically Housing Benefit and Council Tax Reduction. Households in receipt of Universal Credit are present in the dataset only when they are also in receipt of Council Tax Reduction. Further information received by local authorities about these UC households in their area in receipt of CTR was also used, where such data was available.

Due to the data sources, our analysis covered households in receipt of locally administered benefits, not the whole population of the areas involved. We can assume that these households are more likely to be in poverty and on a low income than the wider Welsh population. These are the households most likely to need support and who are most impacted, negatively or positively, by any changes to national or local policy.

The analysis was conducted using data from November 2024 and January 2025. All data processing adheres to DWP data protection procedures. All Personally Identifiable Information (PII) is redacted, and datasets are matched using the benefit claim reference number.

Methodology

All modelling was carried out by running benefit administrative data through Policy in Practice's policy microsimulation engine, which models the full application of the national and local benefits system at a household level. A baseline snapshot of poverty was taken for comparison purposes.

Policy in Practice's engine was then re-coded to apply the relevant changes to each model, and the base data was run through the specific engine for each model. Fresh breakdowns of poverty and living standards were produced for each specific model for comparison.

Our analysis of poverty is based on the relative poverty line, which is set at 60% of the national median income, as determined by the OBR.

Appendix B: Baseline results

Baseline results for the proportion of households in **relative poverty** and the average shortfall below the relative poverty line for those in poverty are shown in Figure A1, below.

	% of cohort in poverty	Average shortfall for those in poverty/month
Households in poverty	40%	-£448
Age		
Pension age	20%	-£357
Working age	51%	-£470
Receipt of Disability Benefit		
Disability/LCW benefit	24%	-£330
No disability/LCW benefit	65%	-£522
Economic activity		
In work	61%	-£469
Barriers to work*	33%	-£399
No barriers to work	53%	-£546
Household type		
Couple with children	66%	-£403
Couple with no children	37%	-£411
Lone parent	62%	-£433
Single with no children	32%	-£473
Tenure		
Private	38%	-£337
Social	29%	-£310

* This consists of carers of people with a disability, carers of children under 14 years, and people with illness and/or disability.

Figure A1: Proportion of households in relative poverty – baseline results

Children in poverty

- 66% of children in the low-income cohort are in households in relative poverty
- 77% of households with 3+ children are in relative poverty
- 73% of households with a child under 4 years of age are in relative poverty

Policy in Practice

About Policy in Practice

Policy in Practice is a social policy software and analytics company that helps hundreds of thousands of people each year to access nationally administered benefits, local support including Council Tax Support, a range of discretionary support schemes, support offered by the Scottish, Welsh and Northern Ireland devolved administrations, and a wide range of social tariffs offered by companies in regulated industries.

We believe it should be easy for people to access support. We built the award winning Better Off platform to close the unclaimed support gap we identified.

Better Off Calculator

A smart, easy calculator to help you maximise your customers' income, increase engagement and save time and resources

Low Income Family Tracker

Intelligent data analytics software to help you maximise your resident's income and reduce your costs

Multi Agency Safeguarding Tracker

Simply clever software to help safeguarding professionals securely share headline data and make more informed safeguarding decisions

Policy analysis

Essential expert social policy analysis to help you make better evidenced decisions

Each tool is powerful alone, and they're even better together, making it easy for organisations to get support to their residents. Contact hello@policyinpractice.co.uk to learn more.