Social catastrophe faces UK working poor

Julie Hyland
3 December 2012

A social catastrophe is facing millions of working people in the UK, as the Conservative/Liberal Democrat government's austerity measures and a deepening economic crisis take hold.

A study by the Joseph Rowntree Foundation, *Monitoring poverty and social exclusion 2012,* examines the impact of current government policy, especially regarding welfare reform.

Written by the New Policy Institute, the report shows that the number of people in working households living in poverty is now greater than the number of those in workless households in poverty.

Excluding pensioners, 6.1 million constitute the "working poor" compared to 5.1 million people without work. The "working poor" have been on the increase throughout the last decade as a result of ever-lower wages. At least 4.4 million jobs pay less than £7 per hour and low pay is rife in the service sector—including food, retail, hospitality, transport, information technology and financial services.

Low pay has been encouraged by successive governments. The previous Labour government introduced working tax credits, essentially as a subsidy to enable employees to keep down wage costs. The study finds that the number of working families receiving the credit rose by 50 percent from 2003 to 2012. The Conservative/Liberal Democrat government has said it intends to scrap the credit by 2016.

Across the country, employers have used the economic downturn to make significant cuts in wages and to implement layoffs. With official unemployment at more than 2.5 million, the numbers underemployed—i.e. unable to get the paid work they want—stands at a massive 6.5 million, the study shows. It cites the reduction in working hours imposed in many sectors as a significant factor in why unemployment is not even higher.

Poverty and unemployment are by no means static. Rather, millions face economic insecurity. Some 18 percent of people are in low income at any one time, the report states, but 33 percent have experienced at least one period of low income over a four-year period. While 1.6 million claim Jobseeker's Allowance (JSA) at any one time, 4.8 million have claimed JSA at least once over the last two years.

The number of working poor has now overtaken the number of unemployed poor despite significant cuts in welfare. The coalition has cut tax credits, linked welfare benefits to the Consumer Price Index (which is lower than the Retail Price Index), imposed a three-year freeze in child benefits, reduced housing benefits and is forcing through changes to disability welfare.

Many low-income households are facing multiple cuts in their already meagre income. According to research by the Trades Union Congress (TUC), Britain's poorest families are "facing a 30% cut to annual income by 2017" as a result of the reductions in public spending.

The average UK household has already lost more than £1,200 in public services due to reductions in social provision and welfare. But this represents just a third of the cuts that are scheduled to be implemented by 2014-2015.

By 2016-2017, the cumulative cost of these reductions in public services will be £3,995 in cash terms for the poorest tenth of households, or 31.7 percent of their average annual income.

The TUC's reports come just one week before Chancellor George Osborne is to make his autumn statement, in which he is expected to outline further cuts of £10 billion in welfare over the next five years. Despite indications that the UK is facing a triple-dip recession, Osborne is expected to announce that the government's already draconian austerity measures will have to be extended beyond 2016-2017, as originally claimed.

On Monday, the Institute for Fiscal Studies predicted that the government's forecast for deficit reduction over the year would be up to £13 billion off target. This could mean that the current period of austerity would have to be extended to the next parliament, which would need to come up with another £11 billion in spending cuts or tax rises in addition to those already announced.

On Tuesday, the 2012 Euro Plus Monitor by the Brussels-based think tank, The Lisbon Council, and Germany's Berenberg Bank warned that "the UK is heading for significantly more austerity than the eurozone from 2013 onwards."

The stagnation of the UK economy has led to calls from Labour, the TUC and others for the government to "relax" its austerity programme in the short term. The TUC used its research paper to urge Osborne to "change course". This is the same organisation that has ensured that the savage cuts in jobs, pay and public spending already implemented has been able to pass without significant opposition.

Despite hundreds of thousands of job losses in the public and private sector, and the ripping up of terms and conditions, the TUC has worked to systematically demobilise widespread anger in token protests and demonstrations.

The TUC's criticisms of government policy have nothing to do with the hardship being imposed on millions of working people. The trade union bureaucracy is just as dismissive of the desperate situation being imposed on the working class as is the coalition. Its real concern is that British capitalism is falling ever further behind in the competitiveness stakes against its major rivals internationally.

This is also the motive for calls by the Labour Party for the chancellor to come up with a "Plan B". Labour's Treasury spokesman, Chris Leslie, has said that next week's budget should "set out a plan to create the jobs and growth which are vital to get the deficit down."

Writing in the *Guardian*, Labour MP Michael Meacher called for an "alternative programme that really would kick-start the economy and recreate growth…."

Both were equally vague on this alternative. Leslie referred only to the need for Osborne to "rethink his plan to give millionaires a tax cut next year while forcing millions of families and pensioners to pay more."

Meacher suggested using "half of more of the next mooted £50bn tranche of QE" (Quantative Easing, i.e., funds for the banks) to be used on public sector investment, charging capital gains tax on the super-rich, or the government and corporations raising a special investment loan to stimulate industry.

Such proposals are so grossly inadequate as to be irrelevant. What is involved is not simply a temporary downturn in profitability, but a systemic crisis of global capitalism that, just as it did in the 1930s, is driving humanity towards depression, mass unemployment and war. Neither Labour nor the TUC has any intention of making even the most minimal inroads against capital. Both are the loyal tools of big business, with Labour leader Ed Miliband at pains to stress that his party would continue with austerity should it form a government.

The way out of this crisis lies not in useless appeals to the coalition to "change course" or false hopes that Labour would be any different. It necessitates the independent mobilisation of the working class, organised in actions committees, and directed to the fight for a workers' government and the socialist reorganisation of economic life.