# Endless austerity in UK budget tailored to big business and wealthy

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UK Chancellor George Osborne's budget Wednesday was full of the usual sound bites about helping "hard working families", "savers" and "do-ers."

Described as a budget for the "aspirational middle class", it outlined a number of tax and private pension breaks. These are not only aimed at boosting a flat-lining Conservative Party among its core voters in the run up to the 2015 election, but politically aiding Osborne, who is emerging as a potential leadership contender to Prime Minister David Cameron.

Most headlines concentrated on the fact that those with private pension schemes will no longer have to buy an annuity from insurers when they wish to withdraw cash lump sums on retirement. But this, and raising the lowest rate at which income is taxable by £500 to £10,500, will be paid for by further cuts in public spending.

The Conservative/Liberal Democrat coalition is just halfway through an austerity programme that has already seen a £150 billion reduction in public spending. With austerity now officially extended at least until 2018-19, Osborne made clear more is coming.

The chancellor confirmed that he will bring forward a Charter for Budget Responsibility that will ensure strict spending guidelines, voted on by parliament. Central to this is a cap on welfare spending, supposedly to stop spending "ballooning out of control."

Under the plans, the Office for Budget Responsibility will set a forecast for each of the next five years. Should government plans risk breaching the cap, this will have to be agreed in parliament. Osborne boasted, "In future, any government that wants to spend more on benefits will: have to be honest with the public about the costs, need the approval of Parliament, and will be held to account by this permanent cap on welfare."

Only the state pension and Jobseekers Allowance is to be excluded from the cap, which is to be set at £119 billion in 2015-16. It means even greater inroads against Housing Benefit payments, which have already been greatly restricted, especially to those under 25 years of age, along with payments to the disabled and carers, such as the Disability Living Allowance and Attendance Allowance.

Maternity and paternity pay for new parents will come under the cap, making a mockery of Osborne's pose of providing assistance for child care costs. Pensioners supposedly aided by the budget's emphasis on rewarding savers will lose out as benefits ring-fenced until now—including help with heating and transport costs—will fall under the cap.

For the vast majority, especially the young, Osborne did not even pretend that his budget offered any relief from declining living standards and falling real wages. Rather, in the days before the budget, the Treasury had published statistics claiming to show that very few were suffering as a consequence of government austerity.

The majority of workers had seen their real incomes rise in six of the last seven years, it claimed. The wages of those in full-time employment had risen, taking inflation into account, every year since 2006, with the exception of 2011, they claimed. This was refuted by the Institute of Fiscal Studies who showed that the Treasury figures did not include more than 10 million people who had changed jobs or newly entered the labour market. Nearly four million self-employed were also excluded from the Treasury count and an estimated one million people on "zero hour contracts."

The Treasury analysis "is totally out of touch with the real world", the IFS stated, ignoring "the one-third of full-time workers who have not stayed in continuous

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employment and the 27 percent who work part-time."

It continued, "In fact the latest figures show that under David Cameron real wages have fallen by over £1,600 a year. And IFS figures show families are on average £891 worse off this year due to tax and benefit changes since 2010."

The IFS' own findings were aimed at pressing the chancellor to help those deemed more "deserving", in this instance "middle-income" families whose salaries just placed them in the top income rate bracket of 40 pence in the pound. They were being unfairly penalised, the IFS complained.

Barely one-in-seven people earn enough to pay the top rate of tax. For the remaining 85 percent of the workforce, their wages are not only too low but are falling.

The Treasury figures were released just days after the government announced that public-sector pay rises are to be capped at a basic one percent increase. This is half the current rate of inflation, as measured by the Consumer Prices Index, and comes after a two-year pay freeze.

Social inequality is now at record levels. A study by the Oxfam aid agency showed that just five of the richest families in the UK have more wealth than the bottom 20 percent of the population.

According to *A Tale of Two Britains,* the top five wealthiest in the UK are the family of the Duke of Westminster (wealth £7.9 billion), the brothers David and Simon Reuben (£6.9 billion), Srichand and Gopichand Hinduja (£6 billion), the Cadogan family (£4 billion), and Sports Direct retail boss Mike Ashley (£3.3 billion).

Between them they have a combined wealth of £28.2 billion while the poorest fifth of Briton's (12.6 million people) have a combined wealth of £28.1 billion.

An earlier Oxfam report, *Working for the Few*, showed that the richest 85 people in the world own the same amount as half the global population—3.5 billion people.

The British survey is part of this trend. It shows that the income of the wealthiest 0.1 percent has grown almost four times faster than the least well-off 90 percent of the population over the last 20 years. Rises in the cost of living meant that most people had actually seen a decrease in their real income. Oxfam reported that since 2003, 95 percent of the population has seen a 12 percent fall in real terms in their disposable income after housing costs, while the wealthiest five percent had seen their disposable income increase.

Citing the increasing numbers of people having to resort to charity-run food-banks to survive, Ben Phillips, Oxfam's Director of Campaigns and Policy, said, "Britain is becoming a deeply divided nation, with a wealthy elite who are seeing their incomes spiral up, whilst millions of families are struggling to make ends meet."

Most strikingly, the Oxfam report found that for the first time ever, more working households were in poverty than non-working households. Cuts to social security and public services, combined with fall in wages and rising living costs, were creating a "deeply damaging situation" in which millions were struggling make ends meet.

Plans to cap welfare benefits will exacerbate the crisis facing many families. It is a policy shared by all the bourgeois parties. While the Conservative Party is set to outline plans to reduce welfare by a further £12 billion in its next manifesto, the Labour Party has said it will back the government's welfare cap. Already committed to continuing the coalition's austerity measures, party leader Ed Miliband has said Labour "want(s) to see the costs of welfare and social security driven down."

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