Poor hit hardest by UK Conservatives' July budget

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A recent report by the UK charity, the Joseph Rowntree Foundation (JRF), posed the question, "Will the 2015 summer budget improve living standards in 2020?"

The JRF undertakes social policy research and its impact on the poor. The report, published this month, analyses the impact of the budget announced by the newly elected Conservative government in July this year. It probes how the budget will affect access to the so-called Minimum Income Standard (MIS) by calculating the disposable income of households dependent on out-of-work-benefits and households with employed members on the minimum wage. It compares their incomes against the MIS figure for 2010 and the projected figure for 2020.

The concept of the MIS was pioneered by the JRF to give an estimate of what income various groups would need to have a frugal but modest living standard to be able to engage fully with society. Drawn up by members of the public in collaboration with academics at Loughborough University, the MIS covers three square meals a day, heating, accommodation, TV, Internet access and basic furniture plus other small items of expense, such as being able to buy a present for a family member. The figure is calculated each year to keep abreast of changing needs and tastes.

The report highlights the impact the measures outlined by Chancellor George Osborne will have over the lifetime of the current parliament. Among those hit the hardest will be working single parents. The report projects a lone parent bringing up one infant will fall around £80 a week short of the MIS by the year 2020. In 2010, the shortfall figure was £7. It projects a £160 shortfall for a working single parent with three children. While for some working couples with children the 2020 projected shortfalls in their MIS figure will be less than the shortfall in 2010, most will still be below the recommended MIS figure. Others, such as couples with three children, will be worse off. Under the projected figures, they will fall £130 short of the MIS figure in 2020 compared to a shortfall of £93 in 2010.

Most of those groups dependent on unemployment benefit also stand to lose out. A single parent with one child is projected to have an income £136 short of the MIS figure of £274 by the year 2020. They will be expected to live on an income of approximately half the MIS figure. For an unemployed couple with two young children the projected shortfall will be £221, meaning they will be expected to get by on roughly half the needed MIS for such a family. In 2010 the shortfall for a single parent on unemployment benefit was £86 and for an unemployed couple with two children the shortfall was £163.

Speaking to the BBC on the report, JRF chief executive Julia Unwin said of the much-vaunted National Living Wage (NLW) that was introduced in the budget, "The wage rise comes hand in hand with changes to in and out of work benefits. Families will only be able to make ends meet if they have two parents in full-time work, but those who are able to find extra work will face a difficult juggling act as they try to make longer hours fit around family life. Lone parents, even those working full time, and people who are searching for work face a decade of sharply declining living standards."

The JRF estimates that only 6 percent of families with two parents working full-time on the current minimum wage will see a boost brought about by the introduction of the NLW.

The report's author, Donald Hirsch, director of the Social Policy unit at Loughborough University,

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speaking to the *Daily Mirror* warned, “The social safety net is changing profoundly.”

The July budget outlined measures to cut, freeze or phase out tax credits for those in work. Tax credits that were introduced by Labour subsidised low pay and were a hidden boost to business, but millions came to rely on them. The NLW of £7.20, due to be introduced next April, is set to rise to £9 an hour by 2020 and is supposed to compensate for the cuts in tax credits. However, the NLW only applies to workers over 25. The Resolution Foundation in its analysis of the budget concluded that the NLW will not make up for the cuts to in-work benefits.

The NLW is also coming under attack from some sections of big business. Boss of the Wetherspoon pub chain, Tim Martin, said it would result in pub closures and job losses. Moody’s credit rating agency warned the NLW could lead to closure of supermarkets or lead to them to avoiding hiring employees over 25-years-old.

A report published the same week by the Trades Union Congress also analysed the budget changes. Using data on the changes to universal credit, tax allowances and the new NLW, it forecasts the impact on incomes in 2020. It concluded, “The poorest working households will lose on average £460 a year by 2020. … However, the richest working households will be made £670 a year better off.”

It continued, “The government’s tax and benefit policies will redistribute from the poorest to the richest. This will worsen inequality and poverty—especially in-work poverty.”

The already high levels of inequality can only increase with the attacks outlined in the July budget. A new book by Sir Michael Marmot, professor of Epidemiology and Public Health at University College London, highlights the impact of growing inequality on health and life expectancy. He claims 200,000 people a year, 550 a day, are dying prematurely as a result of social inequality. He warns that inequality has become entrenched, creating a stark “social gradient.”

Writing in the *Guardian* on September 11 Marmot explained, “There is a remarkably close link between where you are on the socioeconomic ladder and your health. I call this the social gradient in health. … The average Brit can expect eight fewer years of healthy life than the person at the top. Unhealthy life means an earlier death and, while you are alive, your hand grip weakens, your mobility declines, your memory and other cognitive functions decline and various illnesses accumulate. All of these happen at a progressively faster rate the lower down the social hierarchy you are. Those of us in the middle are not immune. We are part of the social gradient in health. And the scale of the problem is enormous.”

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