

UK: Millions of low income families will be poorer under welfare reforms

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25 April 2016

This month, cuts to Universal Credit—the Tory government’s cover scheme for slashing welfare—were implemented for some 80,000 households. By 2020, the cuts will be extended to 1 million households across the UK, saving the government £3 billion a year.

Universal Credit will cost 2.1 million in-work families £1,600 a year and 1.1 million out-of-work families £2,300 a year when fully implemented, according to the Institute for Fiscal Studies.

The changes were first outlined in Chancellor George Osborne’s summer budget last year, where he outlined a plan to make £12 billion of welfare cuts, mainly targeting the working poor.

The Universal Credit cuts involve lowering the amount people can earn before low-wage subsidies, in the form of Universal Credit benefits, are reduced. The new earnings level at which benefits will begin to be withdrawn is now set at a flat £192 a month, down from previous levels of £222 a month for a couple and £263 a month for a single parent. In other words, the changes cut the amount of money working people can expect to be paid by the government when their employers provide only a pittance in wages.

For working families, this amounts to the loss of up to £200 a month. The Child Poverty Action Group (CPAG) estimates that families with a single earner working full-time on the “national living wage” of £7.20 will have to work the equivalent of an extra month a year to make up the shortfall. Single parent households, moreover, already suffering disproportionate hardship and generally among the poorer sections of society, will be the hardest hit. A single parent working full-time for the “living wage” will have to work the equivalent of an additional two months.

Responding to criticisms of the cut, a Department for

Work and Pensions (DWP) spokesman said, “We are simplifying the work allowances under UC [Universal Credit] and giving people extra help to progress in work. This is alongside the increase in the national living wage and personal tax allowances which are helping us move to a higher wage, lower tax, lower welfare society.” He said households affected could get help from Jobcentres to increase their hours.

Various organisations have already shown how the increases in the minimum (rebranded “living”) wage and in personal tax allowance have either done nothing significant to help working people or else have been outweighed by the staggering impact of welfare cuts.

In December 2014, Julia Unwin, from the Joseph Rowntree Foundation charity, said, “Raising the personal tax allowance is an expensive way of helping the working poor—most of the additional money will actually go to better-off families, while poorer families only keep a third of the tax cut. Raising the work allowance would have been a much more effective way of making work pay for those in poverty.”

In September last year, Adam Corlett, from the Resolution Foundation, commented on the national living wage, “While the chancellor’s new wage floor will give a welcome boost to millions of Britain’s lowest-paid staff, it cannot guarantee a basic standard of living or compensate for the £12 billion of welfare cuts that were announced alongside it.”

As for the suggestion that families can simply turn up at the Jobcentre and find more work, even under the government’s own heavily manipulated unemployment figures, 1.7 million people are out of work. Stable employment is in short supply, with part-time work, self-employment and zero-hours contracts becoming the norm for low income families. Single parents are being trapped between the need to work longer hours

and the rising cost of childcare—£6,003 a year on average for 25 hours a week for a child under two as of last year, a 5.1 percent increase on 2014.

The fact is these cuts will drive yet more working people and their children into poverty.

Moreover, “transitional protection” (money which the government claimed it had set aside to help families as they moved from the old tax credit system to lower Universal Credit payments), is revealed by the Office for Budget Responsibility to be almost nonexistent. The total set aside for 2018-19, by which time around 2 million people are supposed to have made the switch, was just £34 million, barely more than 1 percent of the £3 billion the Tories will gain by cutting Universal Credit.

Such is the character of the first major operation to be carried out by the DWP under its new head, Stephen Crabb, following the resignation of Iain Duncan-Smith. Crabb used his first speech as an opportunity to affirm that he is “absolutely committed” to Universal Credit reform, which he described as “the spine that runs through the welfare system.”

Upon Crabb’s appointment, the media promoted the fact that he hailed from a less-privileged background than the usual Tory minister and grew up on a council estate in Wales under former Prime Minister Margaret Thatcher. This was supposed to lend a veneer of credibility to the most savage attacks being imposed on working people in generations. A recent interview Crabb did with the *Spectator*, the house organ of the Tories, is enough to show that his origins do not matter a jot. He referred in glowing terms to Thatcher’s “right-to-buy” scheme, which set the tone for the destruction of affordable and social housing that continues to this day.

In response to Crabb’s speech, Labour’s Shadow Secretary for Work and Pensions Owen Smith called Universal Credit a “great idea” before adding, “Unless he [Crabb] reverses the cuts in the work allowances and restores the work incentives it’s going to leave millions of people worse off.” Smith’s proposed solution, however, was only that Crabb conduct a “thorough review” of Conservative policy.

This was demanded of the Conservatives, who, along with their previous coalition partners, the Liberal Democrats, have imposed more than £100 billion in spending cuts over the past six years and is committed

to a programme of austerity for the foreseeable future.

Smith cannot demand the government abandon their programme because Labour themselves, despite uttering a few fragments of left rhetoric, are committed to a “more fiscally restrictive policy than [Tony Blair’s] new Labour”, according to John Rentoul in the *Independent*. This was said in response to Shadow Chancellor John McDonnell’s comments this March that Labour would “be absolutely ruthless about how we manage our spending” and “ensure that the government’s debt is set on a sustainable path.”

Within months of being elected Labour leader on a mandate to end austerity, Jeremy Corbyn has ditched all opposition to the government’s cuts. They fear that any mobilization of workers and youth against unending cuts will unleash a popular movement against the capitalist order they are determined to uphold.



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